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The BBC

Towards a new commercial strategy



Infotech

Microsoft's





Paci Japa" nones.

N Korea threatens to scrap nuclear agreement with US

North Korea threatened to scrap its nuclear agreement with the US if Washington insists that Pyongyang must accept South Korean light-water reactors. The US and North Korea must sign a contract on the supply of reactors to Pyongyang by April 21 under the terms of last October's accord.

Taiwanese club fire kills 64: At least 64 people died when fire swept through a karaoke parlour and restaurant complex in the central Taiwan city of Taichung, trapping people in a narrow build ing which turned into a column of flame. State television said only 12 people managed to escape from



Department lawyers expressed disappoint-ment at a federal judge's rejection of their proposed antitrust settlement. The world's largest software company, Microsoft is reknowned for its tough tactics. However co-founder and chairman, RIII Gates (above), has denied that

the company has ever broken any laws.

German group to rival Deutsche Telekonz RWE, Germany's biggest electricity distributor, is to link up with six smaller utilities to create a tele communications network to compete with Deutsche Telekom, the state-owned operator. Page 15

Qap closes in French presidential race: Lionel Jospin, the Socialist contender in France's presidential election contest, is closing the gap on Edouard Balladur, the Gaullist prime minister, according to opinion polls. Page 2

French electricity profits drop: Electricité de France, the world's largest generator of electricity, reported a drop in net profit to FFr1.3bn (\$248m) last year from FFr2.1bn in 1993. Page 15

Bankers' board roles questioned: German bankers should stop taking on chairmanships of company supervisory boards, a director of the country's biggest bank said, deepening the controversy about their effectiveness. Page 14

Sexes talk a different language: Men and women really do speak different languages, accord-ing to scientists at Yale University. A study of the brains of talking men and women found that men used one section on one side of the brain, while women used several areas on both sides. mesto suffers \$95m loss: Banco Español de

Crédito (Banesto), the troubled Spanish bank rescued by the domestic financial sector last year and acquired by Banco de Santander, suffered net losses of Pta12.5hn (\$95.4m) in 1994. Page 21 Philippines protest over blands: The

Philippines will step up its air and sea watch on the contested Spratly Islands in the South China Sea, and lodge a strong protest with Beijing. Page 6

Republicans push through crime bill: Republicans again won Democratic support when they pushed the most controversial element of their package of crime legislation through the House of Representatives. Page 5

CS First Boston quits Tokyo equities: The prolonged slump in the Japanese stock market claimed another victim when CS First Boston, the US-based investment bank, announced that it was withdrawing from marketing of equities in Tokyo.

Reprieve for German engineering industry: Germany's IG Metall union offered employers a further extension of the deadline to next Monday before strikes are due to engulf the engineering and metal-working industry. Page 3

lernel Chemicals sale approved: israel approved the controversial sale of a controlling stake in Israel Chemicals, the country's bigges chemicals and fertiliser company, for \$230.3m. It is the government's biggest divestiture to date. Page 8

Trizec plans \$400m sell-off: Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US\$400m. Page 18

New dawn of Peking Manz A high-tech reappraisal of the cave home of China's prehistoric Peking Man has found him to be about 100,000 years younger than previously thought, the Chinese University of Science and Technology reported.

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legal tangles

Storm in

Chinese develop taste for brand names, says survey

By Richard Tomkins in New York

Deng Xiaoping told fellow Chinese that it doesn't matter whether a cat is black or white as long as it catches mice. But, for Chinese consumers, the shampoo should be Head & Shoulders, the television a Hitachi, and the family car a Toyota.

The first foreign-sponsored nationwide survey of Chinese households, conducted by Gallup China, found that Playboy and Boeing are better known brand names than the British Broad-

Japanese companies take lead in race to woo new consumer markets

Gallup China is majority owned by The Gallup Organisation of Princeton, New Jersey, and claims to have been the first research company permitted by the Chinese government to carry out such a survey of consumer attitudes.

Asked to describe their personal philosophy, most respon-dents expressed a distinctly

casting Corporation or American materialistic outlook, as 68 per cent said their philosophy was to work hard and get rich". By contrast, only 4 per cent agreed with the worthy statement: "Never think of yourself. give everything in service to soci-

> The bicycle is still the most common consumer durable (owned by 81 per cent of households) in China, while 54 per cent of homes have black and white

televisions and 40 per cent have already bought a colour set. At the other end of the scale, only 9 per cent of households have a telephone and 8 per cent a car. The survey highlighted the divide between urban and rural

consumers. Nationally, 56 per cent of households said they pre-ferred to buy Chinese-made products while only 19 per cent said they preferred foreign-made prod-ucts, but the balance shifted mar-

ucts among upper-income households in whan areas.

Six of the 10 most highly recognised brands were Japanese, with Hitachi topping the list. Although several US names were among the 20 most recognised brands, with Coca-Cola at number two, only one European company made its way into the top 20: Nestle, the Swiss food group,

Mr Alec Gallup, co-chairman of The Gallup Organisation, said in New York yesterday that Gallup China staff interviewed 3,400 households in every province of China, except Tibet.

Each interview consisted of more than 400 questions, the answers to which provided census-type information about income and occupation, and life-

style.

The most popular leisure activity proved to be watching sports Continued on Page 14

EU president attempts to soothe British fears on immigration

Santer still looking to end border controls

By Emma Tucker in Strasbourg

Mr Jacques Santer, the new president of the European Commission, yesterday set out his legislative programme for the year, and promised to reduce the influence of Brussels in domestic

He also attempted to soothe the fears of British Eurosceptics that a move to dismantle internal border controls would lead to a flood of third-country immigrants. Citi-zens would not see the benefits of a frontier-free area unless the European Union could guarantee their security and combat drug trafficking and organised crime,

In a low-key speech to the European Parliament he stressed the need for "less action but better action", and highlighted completion of the single market, encouragement of the information superhighway, and an improvement in industrial competitiveness as priorities.

Mr Santer presented a much lighter workload than was typical

of Mr Jacques Delors, his prede cessor, and emphasise I the need for widespread consultation, a transparent decision-making process and a more accessible com-

Mr Santer said: "The commission is more determined to focus on the essential, It will become more and more effective in applying the principles of subsidiarity and proportionality."

In "matters of immigration and asylum, drug addiction and judi-cial co-operation in civil matters" where many citizens are likely to be affected in their daily lives, the commission would seek to "meet their expectations and allay their concerns. said Mr San-

The programme contained a commitment to tackle the "practical application of the principle of the elimination of border con-trols" this year.

Mr Santer was particularly keen to hasten completion of the single market: "The consolidation, completion and enhanced visibility of the single market in



Commission president Jacques Santer addresses the European parliament in Strasbourg vesterday

Mr John Major, the UK prime minister, will today attempt to share up confidence in the unity of his government by telling the cabinet that there should no further public debate on whether

sterling should participate in a single European currency. According to senior government which goods, persons, services and capital move freely and effec-

tively must be the cornerstone of the commission's activity." He also suggested separately that each EU member state should be able to nominate only one European commissioner regardless of its size

At present, the EU's larger

advisers, he will insist cabinet ministers stick to the government's "very clear policy" on monetary union. Mr Major will also stress the principal of

members each have two commissioners. Although, in private, commission officials point to 1999 as a more likely date for the start of full monetary union, it officially sticks to the dates set out in the Maastricht treaty, which envisages 1997 as the starting

"Every effort will be made to

collective calinet responsibility following concern from backbench Tories and Mr Eddie George, governor of the Bank of England. Report, Page 9

prepare for the transition to the third stage (of monetary union) on January 1, 1997," says the pro-gramme, adding that public consultation would be launched this year on the conditions for the transition to a single currency.

Details, Page 2

ONE SERVICE COVERS

Mexican peso sinks amid fears over scale of crisis

By Leslie Crawford in Mexico City and Stephen Fidler in London

The Mexican peso sank again vesterday amid fresh concerns that a \$50bn international rescue package announced last month would not be enough to resolve the country's financial crisis.

The peso fell towards six to the dollar, its lowest level since January 31 when US President Bill Clinton announced the rescue package. The currency had railied following the announcement. rising from a record low of 6.35 to the dollar. However, since then it has continued to slide.

Confidence has been hit mainly by fears about the financial health of debt-laden Mexican companies, delays in the comple tion of the rescue package and worries about the strength of President Ernesto Zedillo's government. With the government relying on the rescue package to solve its liquidity problems and the state offering support to any banks which hit trouble, there is much concern about corporate borrowers outside the safety net. Grupo Sidek, a holding company whose assets include Situr,

a property and tourism company. said yesterday it would miss a payment on some \$19.5m of commercial paper it has outstanding. There was particular concern among foreign lenders about the

Continued on Page 14 Bitter legacy, Page 4

Chances of interest rate rise recede as output growth declines

US stock market surges on signs of economic slowdown

Washington and Lisa Bransten in New York

The US stock market surged yesterday, taking the Dow Jones Industrial Average close to the 4,000 level following the publication of economic data which investors judged reduced the chances of further early increases in interest rates

The markets responded to comments from the Federal Reserve that the growth of industrial production "slowed noticeably" last month. But economists warned that separate figures on consumer prices showed tentative signs of emerging inflationary

On Wall Street, the Dow in intra-day trading surged through its previous closing high of 3,978 set on January 31 and rose more than 36 points to 3,995 by 2,30pm. At its highest point the average was just two points short of 4,000. The Standard and Poor's 500 also passed the 482.55 record set on Tuesday. Before that the S&P 500 record had stood for more than a year at 482.00.

In early afternoon trading the long bond was up more than half a point to yield 7.55 per cent, its lowest level since August of last Figures published by the Fed

Dow Jones 4.000 3,900 3,800 3,700 3,500 ^á.

showed a 0.4 per cent increase in industrial output in January fol-lowing gains of 0.8 per cent and 0.9 per cent in November and December. Fed statisticians said the slowdown appeared to be "widespread in manufacturing".

Separate figures on consumer prices, however, showed tentative signs of emerging inflationary pressures. The "core" consumer price index, which excludes food and energy, rose 0.4 per cent last month, more than expected in financial markets. It was the biggest monthly increase since October 1992.

There was no direct evidence yesterday that senior Fed policymakers believe weaker data for January signals more than a temporary adjustment after unsus-tainably rapid growth at the end

ment about a widespread slowdown came in a routine statistical release, not an official policy

Mr Alan Greenspan, the Fed chairman, will set out his views next week when he delivers halfyearly monetary testimony to Private-sector economists said

the January numbers had to be set against longer-term trends. Industrial production has been growing at an underlying rate of about 0.6 per cent a month: a din below this rate was likely following larger increases in preceding months. Production was up 6.2 per cent in the year to January. The sharp 0.4 per cent gain in the core consumer price index probably also overstated the underlying trend as it followed an erratically low increase of 0.1

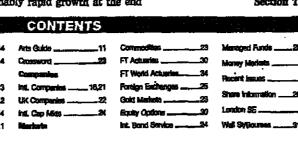
in the year to January.
"Economic growth is slowing but only to an annual rate of about 3 per cent, which is still above the Fed's speed-limit," said Mr Alan Levenson, an economist at UBS Securities in New York. He predicted February output data would show a rebound.

per cent in December. Core con-

sumer prices were up 2.9 per cent

World stocks, Back Page Section Two

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LONDON - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - TOKYO

: Socialist contender in presidential race

say Jospin closing the gap

Socialist est, is closing ir Edouard Balla-غفر aullist prime minisaccording to opinion polls. One poll puts him only a single

percentage point behind. He has also received a boost from the formation of a weighty support committee headed by Mr Jacques Delors, former president of the European Commission and erstwhile favourite to succeed President François Mitterrand. Mrs Martine Aubry, daughter of Mr Delors and one of the ading younger generation Socialists, is set to be Mr Jos-

candidate earlier this month prompted an anxious response in the currency market. The franc fell below FFr3.47 to the D-Mark, compared with FFr3.464 at the close of trading on Tuesday. Traders said that three opinion polls showing gains by Mr Jospin were one of

A poll by Ifop, due to be published today, shows Mr Jospin receiving 23 per cent of support, just one percentage point behind Mr Balladur. Mr Jospin could even edge ahead of the prime minister in first round voting intentions should Mr Raymond Barre, the former centrist prime minister, decide to run, according to Ifop. The other two polls, by BVA and Sofres, also showed a sig-

approval rating. The prime minister, who outlined detailed campaign proposals earlier this week, retains a comfortable margin in the decisive second round run-off. All three polls gave him a lead of between 8 and 16

per cent in the May 7 show-

down with either Mr Jospin or

Mr Jacques Chirac, the Gaull-

ist mayor of Paris. But, the narrowing of Mr Balladur's lead and improved prospects for the Socialists. generally dismissed as serious contenders after Mr Delors' decision not to run, prompted recriminations among conservative politicians.

Mr Philippe Douste-Blazy, the government spokesman, warned the right against



repeating internal disputes that opened the way to the election of Mr Mitterrand in

get minister and a key Ballaally, said that the right had to concentrate its attacks on the left rather than on each other. Mr Chirac's supporters have concentrated their fire on Mr Balladur rather than Mr Jospin, accusing the prime minister of being out of touch with voters and indecisive.

The fall in Mr Balladur's poll ratings partly reflects a dispute between his government and French students. A decree tightening admissions to universities prompted a wave of demonstrations by students and forced the government to back down. The decree was cancelled on Monday, but student leaders said they still planned to march on Mr Balla-

Greece warned by EU over stand on Turkey

The European Union has delivered a blunt warning to sation for the EU customs union with Turkey, and left Athens isolated.

Senior officials in Brussels expressed pessimism yesterday that a compromise could be reached before the target date of March 6-7, when an EU-Turkey association council is due to wrap up the customs union. However, other diplomats suggested that the EU might be prepared to offer a firmer date for launching accession talks with Cyprus - a top Greek priority – if the Athens government drops demands for financial compensation for signing on to the customs

Greek demands cover co-operation with Turkey.

customs union with Turkey.

gests that the Athens government must soon decide whether the goal of accession negotiations with Cyprus is more important than the risk of facing down domestic opposition to the Turkey deal. If the signals over the next

few days are favourable, a French-led group of countries Maastricht treaty.

ready to promise a new political dialogue with Cyprus simi-lar to the format agreed last December for the six former communist countries of central and eastern Europe: Poland, the Czech Republic, Hungary, Slovakia, Romania, and Bulearia.

Failure to resolve the impasse with Greece could have repercussions for these candidates for EU membership as well as Malta, the economic front-runner for entry into the

Malta is insisting that its

application for EU membership

Greece that its refusal to lift a veto of the EU-Turkey customs union could sink hopes of Cyprus joining the Union before the end of the century. The warning follows a high-ly-charged meeting of EU ambassadors in Brussels on Triesday which failed to break the deadlock over Greek demands for financial compen-

Ecn400m (£315m) compensation for Greece opening its textile markets to Turkish producers. Athens is also insisting that Brussels avoids offering specific sums in financial EU diplomats said Ankara

was entitled to more than Eculbn in aid under protocols agreed 14 years ago but since blocked by Athens. "All countries, big and small, told the Greeks their demands were not acceptable," one said.

Last month, France, which holds the rotating EU presidency, put forward a delicate package which involved a firm EU pledge to open accession negotiations with Cyprus in return for Greece lifting its long-standing veto against the

The proposal appeared to be the most promising effort to break the deadlock over Cyprus which has existed since 1974 when the Turkish arms invaded the island in response to a Greek Cypriot coup backed by Athens.

It was also a high-stakes gamble to tackle political and economic instability in Turkey, a Nato member which guards the alliance's south-eastern flank against Iran, Iraq and

The present impasse sug-

might be ready to promise that accession negotiations with Cyprus "can start" six months after the 1996 inter-governmental conference to review the In addition, the EU would be

should be treated on its merits, and the European Commission is expected next week to comment favourably on its economic reforms and its ability to compete in the single European market. But in most EU members' minds, its bid for membership is on the same

EBRD at centre of N-power row

Jane Martinson on a decision likely to shape the future of energy in eastern Europe

The future of nuclear power in former communist Europe is being shaped by a fiercely contested decision by the European Bank for Reconstruction and Development to support crucial financing for the completion of a Soviet-designed Slovak power station that opponents say is

dangerous and uneconomic. The row over the financing has provoked divisions among staff at the EBRD's London headquarters and led Austria to threaten to withdraw its membership of the bank if the Slovak financing goes ahead. Alarm has also surfaced in the German Bundestag and the European Parliament is due to hold an emergency debate on the funding today.

Studies commissioned by the bank conclude that completion of the nearly 90 per cent built VVER 440-218 model pressurised water reactor complex at Mochovce represents the leastcost solution to Slovakia's energy needs. Safety would be assured by the installation of western safety equipment and technical assistance from Electricité de France which will co-

The EBRD also argues that completing Mochovce would provide an additional safety bonus because the energy generated would make it possible for Slovakia to close down a dangerously obsolescent older model reactor at Bohunice. Opponents of Mochovce

arene that it is impossible to guarantee safety in a reactor 90 per cent built under the old, safety-lax regime and suffering from fundamental design flaws. They also contest the exchange rate, capital costs and other parameters used in the belief that the deal contrathe EBRDs cost-effectiveness venes the bank's ecological

study and argue that, even at this late stage, it would be cheaper to invest in a new, more efficient and safer combined cycle gas powered sta-

Opponents of the loan - who include some worrled bank staff, European politicians and the Austrian government, as well as environmental groups - believe support from an organisation with the financial muscle of the EBRD would open the way for similar rehabilitation of other mothballed

reactors in eastern Europe and

particularly in the former

Soviet Union. It will cost some DM1.3bn (£540m) to complete Mochoyce. The EBRD's share of that financing – DM412.5m – would be the biggest loan it has made. And it would make the bank the first multinational development agency to finance a new nuclear plant

Mr Stuart Catchpole, company secretary of the World Association of Nuclear Operators, says: "Of course Mochovce would offer encouragement to the others. I think everybody realises that this [the bank's decision] is a key

The Ukraine is looking for plete reactors. It has the backing of the Group of Seven leading industrial countries for the completion of at least one, at Khmelnitskiy, in return for the closure of Chernobyl. The bank has held talks about it in the Ukraine, although it says there are no plans to finance any further completions. There are understood to be at least 14 such reactors in Russia. Some criticism stems from

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commitment. The agreement setting up the bank promises to "promote in the full range of its activities environmentally sound and sustainable development". Staff members in London are believed to be behind documents critical of the project which have found their way to EBRD directors.

Opponents of nuclear plants in eastern Europe say that

for the German government argue the nuclear option fails

Even the author of a cost. study commissioned by the way or another".

economics of the project have fuelled debate over the causes of the bank's support. The

able development partly because the region does not use energy as efficiently as the west and nuclear energy "If these countries have to be economically competitive with

European Union countries they are going to have to use fuel at least as efficiently as we do," says Mr Antony Froggart of Greenpeace, the environmental group. Greenpeace and the Oko-Institut, the German eco-

to take into account the difficulty of forecasting electricity demand in transitional economies. "Slovakia is going to be saddled with a massive debt to provide energy it will no longer need," says Mr Froggart.

EBRD into the financial benefits of the Mochovce project accepts that the economic argument for the nuclear option is not a clear one. Mr David Nelson, of the British consultants Putnam, Hayes and Bartlett, says the economics of the project alone would not be enough to "sway the arguments over safety, one

logical body which has worked involvement of Electricité de 23 directors he is right.

The charge is vigorously denied by the bank. The Austrian director of the bank has meanwhile accused Germany of double standards over its support of Mochovce.

France as joint owner of Mochovce has led to com-

plaints that the bank is sup-

porting the interests of the

powerful French nuclear lobby.

Three years ago Bonn shut down similar reactors in eastern Germany after an official investigation into two partially built reactors concluded that it would cost too much to bring the units up to acceptable safety standards.

But the German government remains a supporter of the bank's involvement in the project. Bayernwerk, the German state utility, is committed to part financing the deal and Siemens is likely to provide safety equipment. The position of the US, one of the larger EBRD shareholders, is seen as critical. Mr James Shoyer, the US director, is personally against nuclear energy, but the official US position on Mochovce is

So far, though, Mr Alain Pilloux, the senior EBRD official on the project, remains unfazed by the opposition. "Whether we like it or nuclear power in the countries

where the EBRD works . . . provides a very significant share of power generation. This is a fact of life. Many of the reactors are considered by experts as unsafe. So what should we do? Turn a blind eye and act like an ostrich? No, we should not shy away from promoting Concerns over safety and the a safety project in this sector." After public consultation on the project ends tomorrow he has until April to persuade the

Commission president emphasises the need for wider public consultation

Santer pledges to cut back on new laws

Mr Jacques Santer, president of the European Commission. yesterday promised restraint in putting forward proposals for fresh EU legislation in the coming year and to respect the responsibilities of nation In a speech to the European

parliament, he focused on the need for greater public consultation, strengthening existing laws and reducing Brussels role as a legislative driving force which it occupied under his predecessor, Mr Jacques Delors in the 1980s.

"Acting less is something we can do. In fact the number of new proposals has been falling for some time, in the first instance because the 1992 sin-

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O The Financial Times Limited 1995.
Dishard Lambert. Editor: Richard Lambert, clo The Financial Times Limited, Number One Southwark Bridge, London SEI 9fil. concerned, but also because we are acting more effectively," he said in Strasbourg. He noted that this year the Commission was putting forward 52 proposals, similar to 1994, but a long way below the

to the timetable for economic and monetary union, to create the right conditions for development of the information society and to work towards lative initiatives were still required was advanced technology and the information society. Plans to push ahead with liberalising telephone services and infrastructures and the establishment of a

beyond. As part of a wider debate on

gle market programme has developing the information society, new initiatives were planned to ensure that opera-

peak of 180 in 1990. In his speech, Mr Santer emphasised the need to stick ting the single market. Mr Santer said one area "above all others" where legis-

solid legal framework would occupy much of the Commission's work this year and

tors had access to networks and that there was no discrimination in the awarding of licences to operators.

Other prime targets were the internal market, energy policy and the environment where progress on legislation had often been stalled. "Many proposals are still pending before the council and parliament," said Mr Santer.

At the latest count there were over a hundred. This is very damaging to Europe's image." The Commission planned a new offensive on the single market, with stricter monitor-ing to ensure national legislation did not fall short of the aim of freeing the movement of goods, persons, services and capital within the Union's external frontiers.

He promised action to improve the recognition of professional qualifications, and a follow-up to last year's failed attempt to

media ownership legislation. The barmonisation of copyright laws would continue, and the Commission expected to introduce new rules on pension funds and to work on a finalised system of VAT.

push to force open energy mar-kets where little progress has been made in recent years largely because traditional energy monopolies have fiercely resisted competition. Before the Commission are directives on common rules for the internal market in electricity and gas as well as plans for cross-border energy network

On the environment commitments are vague but the programme includes plans for a sweeping review of the fifth action programme on the envi-ronment with the aim of determining what needs to be done regional levels to integrate environmental initiatives.

networks - the immediate aim being to ensure adequate finance, and encourage partnership between the public and private sectors. On agriculture, the empha-Mr Santer also outlined a sis of the programme is on improving the balance of mar-

kets, increasing the competitiveness of EU farming and ensuring greater stability of farmers' incomes". Mr Santer added that the Union needed to develop a gen-uine employment policy to be achieved by improving industrial competitiveness through research and promoting qual-

He recognised the growing importance of co-operation in foreign affairs saying that the Union needed to develop a common foreign and security policy that was worthy of that name". The programme ends with a

commitment to step up the fight against fraud mainly by This year work should start improving co-ordination between "all those involved in on the Council of Minister's introduce European-wide chosen "priority" cross-border the fight against it".

Non-nationals benefit from EU tax ruling

By Caroline Southey in Brussels

The European Court has ruled that the tax laws of European Union member states must no longer discriminate against non-nationals who live in one member state and commute to work in another.

The court rejected submissions from six member states including the UK. which argued that discriminatory treatment was justified "by the need for consistent application of tax regimes to non-residents". In Brussels, where the ruling was seen as a useful step towards completing the single market, an EU Commission official warned that states would interpret it "as the door being opened to interfere with their

income tax regimes and they will ques- flicting principles: the right of EU treaty must be interpreted "as being tion how far it will go". A senior EU official said the ruling was about "free movement rather than about taxation".

The case centred on Mr Roland Schumacker, who lived in Belgium with his family and commuted to work in Germany. Mrs Schumacker was drawing unemployment benefit, making Mr Schumacker's wage the only household

Under German law Mr Schumacker was denied family tax allowances and was taxed as a single person. He sought redress through the German courts which asked the European Court to rule what bearing Article 48 of the Treaty of Rome had on German tax law. The case brought together two con-

nationals to work in member states without discrimination, enshrined in Article 48, and the right of member states to write their own tax laws. "The case highlights the tension between national governments which jealously guard their right to dictate income tax laws and EU institutions which clatte the right to interpret and implement European law," a Commission official

He added that the Commission did not want to "contest the right of member states to write their own tax laws. But something has to be done where there is a conflict between the member states' rules and the principle of freedom of movement".

capable of limiting the right of a member state to lay down conditions concerning the liability to taxation of a national of another member state. . . "since the Article 48 "does not allow a member state to treat a national of another member state...less favourably than one of its own nationals in the same situation". The senior EU official said the ruling

was merely "smoothing out a wrinkle" in the application of Article 48. The ruling will simply make life simpler for somebody living in one country and working across the border. At least workers in this situation will now know where they stand."

He pointed out that the onus was on The European Court found that the the German court to apply the ruling.

EUROPEAN NEWS DIGEST

Brussels sets up industry board

The European Commission announced yesterday it had set up a group of 13 business, economic and trade union experts to advise the European Union on how to help make its industry more competitive. The Competitiveness Advisory Group, which will be chaired by Mr Carlo Azeglio Clampi, a former Italian prime minister and Bank of Italy governor, will issue a report every six months suggesting EU policy initiatives, the Commission said in a statement.

The announcement came as Brussels reported that capacity utilisation by manufacturing industry had increased in the EU, strengthening expectations of a 9 per cent rise in the volume of industrial investment this year. Its latest business survey revealed an increase to 82.6 per cent in the EU's seasonally adjusted capacity utilisation last month from 81.5 per cent in October.

The Commission president, Mr Jacques Santer, say he wants the new competitiveness group - appointed as part of the EU's overall effort to create jobs - to prepare its first report for the EU summit in Cannes in June. Some of those appointed include: Mr Floris Maljers, chairman of the Philips Electronics supervisory board; Mr Percy Barnevik, president of Asea Brown Boveri; Mr David Simon, chairman of British Petro-leum; Mr Carlos Solchaga, the former Spanish finance minister; and Mr Klaus Zwickel, the leader of Germany's IG Metall union. Peter Norman, Economics Editor, and Reuter

Schiphol to get extra runway

The Dutch government is poised to approve a fifth runway for Amsterdam's Schiphol as part of the airport's efforts to establish itself as one of Europe's top five "mainports" in the next

The four cabinet ministers most directly responsible have decided in favour of the extra runway – opposed by environ-mental groups and many local residents – clearing the way for formal agreement by the full cabinet tomorrow. However, approval is expected to be linked to a stipulation limiting Schiphol's future capacity to 40m passengers a year. While the airport handled 23.5m passengers in 1994, the proposed ceiling is well below the 50m-60m upper limit foreseen by some industry analysts. The fifth runway is expected to be completed in 2003, rounding off an ambitious expansion programme at Schiphol. Environmental groups have bought land near the proposed runway and hope to frustrate the programme by refusing to relinquish title to the land and by fighting the project in the courts. Ronald van de Krol,

Noir trial resumes despite plea

The corruption trial of 12 people resumed in Lyons yesterday in spite of efforts by lawyers representing Mr Michel Noir, the city's mayor and one of the defendants, to have the case heard in a different court. Mr Noir is on trial alongside Mr Michel Mouillot, the mayor of Cannes, Mr Patrick Poivre d'Arvor, a television presenter, and others in charges mainly relating to receipt of money from Mr Pierre Botton, a businessman who married Mr Noir's daughter. Mr Botton, an important backer of Mr Noir, himself faces charges of embezzling up to FFr33m (\$4m) from his network of companies during the 1980s. Law-yers argued on Monday that as Mr Noir was a former govern-ment trade minister, the Lyons court's attempt to try him was unconstitutional and that his case could only be heard before a special high court of the republic. Judge Jean-François Perrin responded that he would consider Mr Noir's appeal in his final verdict after the end of the hearing, which is expected to last about three weeks. Andrew Jack, Paris

Hungary ends sell-off deadlock

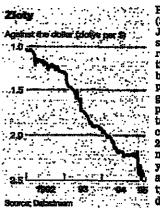
The Free Democrats, the junior partners in Hungary's coalition government, have given in to Socialist demands for a new ministerial post to oversee privatisation but said yesterday the two governing parties have not yet agreed on a candidate. The creation of the post, which comes without its own ministry. was one of the main reasons for the resignation last month of Mr Laszlo Bekesi, the country's reformist finance minister. Mr Bekesi will have been responsible for privatisation for almost a year when he officially steps down next month. The Free Democrats said the two parties had agreed the finance ministry would remain in charge of economic policy and were considering giving the ministry the responsibility of approving all draft legislation related to economic issues. The new privatisation minister would supervise government organisations managing state property and privatisation. Virginia Marsh.

Greek presidency front-runner

Greece's governing Panhellenic Socialist Movement (Pasok) yesterday proposed a centre-right candidate, Mr Costis Stefan-opoulos, for next week's vote in parliament to choose a new ead of state. The move strengthens Pasok's chances of avoiding a general election by securing the three-fifths majority required to elect a president as a small right-wing party. Political Spring, has already agreed to support Mr Stefanopouos. A former cabinet minister in conservative governments of the 1970s, Mr Stefanopoulos is also expected to attract votes from dissident deputies in the opposition New Democracy party. He disbanded his own party, Democratic Renewal, after failing to win any seats at last year's European elections. The new president, who has a mostly ceremonial role, will take over next month from Mr Constantine Karamanlis, a veteran conservative politician who is retiring from politics. Kerin Hope, Athens

ECONOMIC WATCH

Budget surplus in Poland



Poland reported a 457m zlotys (\$187m) budget surplus in January, together with a steep rise in foreign currency reserves and heightened inflationary pressures. Prices rose by 3.9 per cent against the previous month and against a government prediction of 2.6 per cent. The official inflation target for the year is 17 per cent compared to last year's 29.5 per cent. The surplus marks a good start for this year's budget which assumes an overall deficit of 8.8bn zlo-195 tys or 3.8 per cent of gross domestic product. At the same time, foreign currency

14 1 4

reserves, which are planned to grow by \$1.5bn this year, have risen by \$595m in the first six weeks. The central bank has responded to the threat of an increase in the money supply by saying it will soon lower the 14 per cent monthly devaluation "crawling peg" mechanism. The mechanism is used to maintain the competitiveness of the zloty. The bank has ruled out a cut in interest rates, however, believing inflation is already higher than expected. Christopher Bobinski, Warsan. ■ Long-term capital outflows from France totalled FFr27,72bm (\$5.3bn) in November, up from FFr14.29bn in October, accord-

ing to the economy ministry. It said a near doubling of net portfolio investments abroad by French residents and a decline in direct foreign investment in France were the main Finnish industrial output grew a record 11.2 per cent in 1994 and increased in all main sectors, Statistics Finland said, noting that the high growth rate was partly explained by the

low output level in 1993. Hungary's consumer price index rose 4 per cent in January, a 22.1 per cent increase year-on-year, the official statistics office said.

procedures for calculating its current account

By David White in Madrid

Spain has changed the way it calculates its balance of payments current account because of a tax wheeze which was seri-ously inflating the deficit. The Bank of Spain yesterday

announced a 1994 current account shortfall of Pta537bn (\$4.1bn). The previous year's deficit was revised down from Pta510bn to Pta309bn under new criteria for counting interest payments. The bank said that its new procedures were in compliance with latest international Monetary Fund guidelines for balance of payments

Bank officials said the old method would have produced a deficit of more than Pta850bn. This compares with many economists' predictions last year that strong exports and record tourism would leave the current account almost in bal-

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They did not reckon with

"coupon-washing".
Coupon-washing is by no means a unique Spanish custom. But it has flourished to the point of becoming standard practice among banks and investment funds holding Spanish public debt.

Under the operation, a resident - in most cases a financial institution - sells bonds to a non-resident shortly before the annual interest coupon is due. This is a way of escaping a 25 per cent withholding tax. which only residents have to

The non-resident institution then sells the bonds back to the original holder at a lower price. The gain from non-payment of the tax is split between the two.

Understandably, the Spanish tax authorities have been followed this process with some

They have tried to clamp down in instances where the sale is, in their view, demonstrably made with the sole aim of avoiding tax. The criterion applied is if the sale takes place within a month of the coupon falling dua.

Action is currently being taken against the Spanish offshoots of Paribas and Société Générale of France and the Portuguese-controlled Banco Loso Español But officials admit the prac-

tice would be hard to eliminate without undermining the public debt market.

Another wheeze, popular in Spain until recently, involved the buying and selling of Aus-trian bonds. This took advantage of a

long-standing double-taxation agreement and the absence of a withholding tax. In this case the holder would sell the bonds immediately after payment of the coupon. Since the price of

the bond, after interest payment, was correspondingly reduced, the holder could register a capital loss on paper, without actually being out of pocket. He could then set that loss off against taxable gains. But the Spanish finance ministry awoke to the practice and tightened up. Austrian bonds are no longer considered a safe tax dodge. Since the beginning of this year, all such interest earned by residents is consid-

Coupon-washing, however, has caused further complications besides depriving the taxman of revenue. Until now, the coupon pay-

With an average coupon of 9 per cent, the annual outflow from 'coupon-washing' would be

Pta675bn, more than \$5bn, or 1 per cent of Spain's gross domestic product

ments made outside Spain have figured on the current account of the balance of payments, while the corresponding capital gains made by the original holders have gone onto the capital account.

Under the new system, only part of the interest - corresponding to the period the bond was held by the non-resident - is counted, and the same with transactions in the inverse direction.

Finance ministry officials say the volume of these operations is "difficult to quan-

But Banco Central Hispano, one of the top commercial banks, reckons that outflows from coupon-washing may have multiplied five-fold to more than Pta500bn last year.

Mr Walter Scherk, an analyst at the Madrid securities house Ahorro Corporación, says the figure may well be higher. He believes that the bulk of Spanish public debt and a lot

of private debt goes through the coupon-washing process. Spain's outstanding medium and long-term state debt amounts to some Pta15,000bn.

Assuming that interest on half of this was paid abroad, with an average coupon of 9 per cent, the annual outflow would be Pta675hn, more than \$5bn, or 1 per cent of Spain's gross domestic product. And that, he says, is a con-

Pilots' row reveals flaw in Iberia aid plan

A legal row has broken out among pilots employed by the Iberia group that threatens to severely embarrass the Spanish airline as it applies to the European Commission for per-mission to inject fresh public funds in order to stave off bankruptcy.

Pilots employed by Viva Air, a small and profitable Iberia subsidiary, said yesterday they had instructed lawyers to sue fellow pilots employed by Theria for taking over routes that for the past three years have been operated by Viva.

The court action highlights

a flaw in the Iberia viability plan that the Madrid government presented to Mr Nell Kinnock, the European transport commissioner, last week because it centres on the effective winding up of Viva as a regular airline operator in order to benefit iberia, the larger but considerably less competitive parent. Viva is a low-cost operator that shares characteristics with the British Airways subsidiaries, BA

regional and BA Gatwick.
The Madrid government's request for a Pin130bn (\$1bn) re-capitalisation of the airline is already controversial because Iberia was bailed out with public money three years ago and any further fresh funding contravenes the "one time, last-time" payments that are authorised to assist long-term restructur-

At the end of last year Iberia's unions, including its powerful pilots association, called off strike action and accepted salary cuts of between 3 per cent and 15 per cent in order to allow the government to approach Brussels over new funding. Iberia pilots accepted the

viability plan after the airline's management bowed to their demand that regular routes flown by Viva should be operated by Iberia and that Viva should become a charter

Mr Antonio Calvo, a Viva pilot, said that it was "folly" to pretend that Iberia could profitably operate the routes it was taking over from Viva. The cost base for Iberia under the available seat system - is Pta15.5, while that of Viva is Pta9.3.

A former director of Iberia, who asked not to be named, said Iberia appeared to be backtracking on what had been an intelligent and pioneering move by the company in 1992 when it allowed Viva, then solely a charter airline, to compete directly with Iberia as a regu-

lar carrier.
"What the Commission should do is to force Iberia to give more routes to Viva, not to take them away, and to suggest to Iheria that it could subsequently raise funds for itself by privatising Viva." he said.

Spain changes IG Metall leader extends strike deadline

Germany's IG Metall union yesterday offered employers a further extension of the deadline before official strikes are due to engulf the engineering and metal-working industry.

Mr Klans Zwickel, the union president, demanded they should table a pay offer by next Monday or face an "unavoidable" strike He made a virtually identical threat 10 days ago, when the deadline was set for Monday this week. Mr Zwickel made his "final" offer of an extended deadline at a noisy gathering of an esti-mated 15,000 union members in Frankfurt, where he claimed IG Metall was being forced to take industrial

association which has still not made any offer on pay in reply to the union's demand for a 6 per cent award, described the

ultimatum as unhelpful. Holding to its hard line while the union appeared to be going out of its way to encourage a peaceful settlement – the association said it would reopen negotiations only if the union accepted cost-cutting measures as part of this year's pay and conditions package. The employers argue that nies are still suffering the after-effects of recession and



simply cannot afford to raise pay unless costs are reduced the union to take issue with the cost arguments put forward by the companies," said of Gesamimetall.

trated solely in discussions on its own demands for a wage rise, Mr Kirchner said, "although the employers also proposed their ideas for cost reduction in October".

would make no conce cost reductions. "We will only

discuss more money." he said in an interview. While most economists and industrial analysts expect an eventual settlement of around 3.5 per cent. Mr Zwickel indicated the membership was expecting at least

On Tuesday this week, when

mally. This will require formal declarations from the union's regional leaders that negotiations have broken down and proposals that ballots should be called.

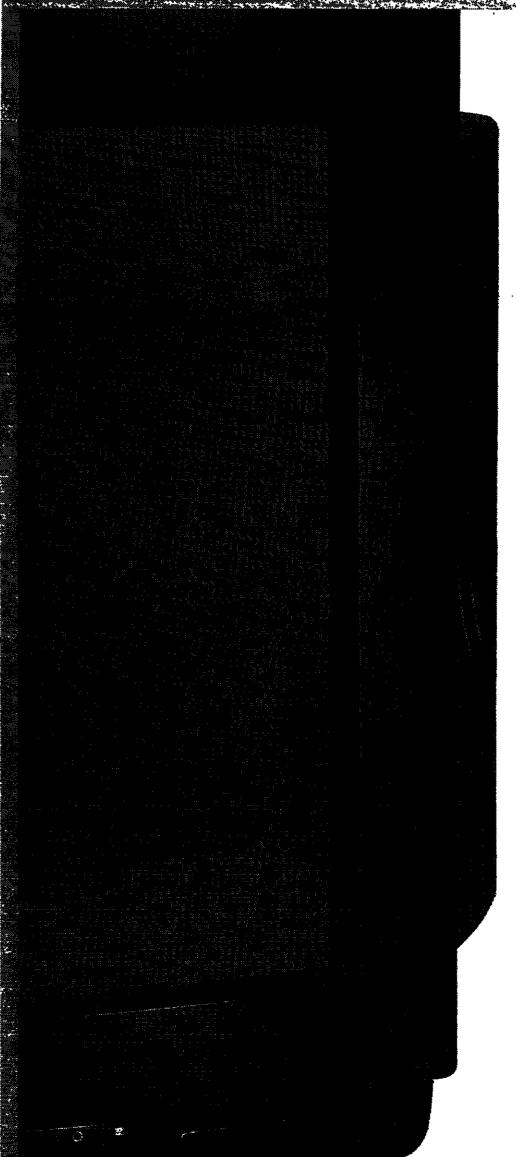
Bavarian negotiators yester day became the first to meet the requirements, while union members in other Lander staged warning stoppages in a familiar ritual intended to demonstrate their willingness to strike.

IG Metall said 75,000 work ers had downed tools in the union's northern region and a further 100,000 walked off the job in Germany's industrial heartland of North Rhine-

In last year's pay round, a strike was averted only bours before it was set to begin after all-night summit negotiations between employers and union

Pay negotiations in other industries have slowed to a snail's pace as both sides await the outcome of the stand-off in the engineering and metal-working sector where the pattern for other settlements is usually estab-

the start of next week and said official stoppages could begin before the end of the month, Chemicals workers, for example, have been offered Mr Zwickel indicated a negoaround 2.5 per cent in tiable offer would be welcome pay claim, but have so far when the IG Metall board avoided any industrial action.



the union leadership drafted

plans to hold a strike ballot at

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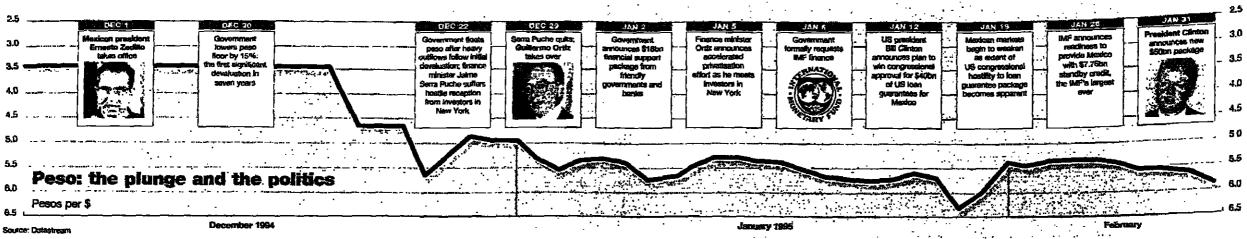
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THE WELSH ADVANTAGE.



Bitter legacy of battle to bail out Mexico

Monday January 30 that Leon Panetta, White House chief of staff, finally accepted that the administration's plan to rescue Mexico with up to \$40bn of loan guarantees was not going to work. Two phone calls in the space of a few minutes had virtually made up his mind. One was from Newt Gingrich. the new speaker of the House of Representatives, the other from Guillermo Ortiz, the Mexican finance minister.

The message from Gingrich was simple and pessimistic: Congress was objecting to the loan guarantee package and the chances of its rapid and successful passage were slim and worsening. The conversation with Ortiz was also deeply worrying, Money was flowing out of Mexico so rapidly that without US belo it would soon have to abandon the convertibility of the peso. From a foreign investor's perspective, that was the equivalent of

defaulting.
At the US Treasury, officials had watched with growing alarm as the peso sank to an historic low of 6.35 to the dollar, close to half its value just over a month earlier and a level that threatened Mexican companies and banks. The previous Thursday, the International Monetary Fund had announced the largest loan in its history for Mexico - \$7.76bn - but the peso had hardly responded. On Monday, the Mexican market was pulling down other financial markets, particularly in Latin America. On Tuesday, the US Federal Reserve's policy-making committee was to start a meeting and likely to worsen things by raising US interest rates.

US Treasury secretary Robert Rubin, who had taken office earlier that month, foresaw widespread and potentially disastrous consequences if Mexico - Washington's star pupil in pursuing market-based reform - defaulted, "The effect would be considerable both on immediate capital flows and. perhaps more important, on the mindset of investors for a long time to come - and also on the mindset of politicians considering whether to reform," he said later.

Soon after Panetta hung up, he began a critical meeting with Rubin and Sandy Berger. the deputy national security adviser at the White House Recognising they would be there for some time, they sent out for pizza. They were still eating when President Bill Clinton returned from dinner after 11pm.

Some time later, Clinton made a preliminary decision to abandon the loan guarantee proposal and switch to "Plan B", a new support package centring on \$20bn of finance from the US Exchange Stabilisation Fund. That money could be provided on Clinton's own

But Panetta and his col-

leagues knew they needed backing from elsewhere, both to convince the markets that enough firepower was in place to prevent a default and to show Congress Washington "Because Mexico's deterioration had been so substantial and because it was our judgment was likely to be substantially worse than Monday, there was likelihood to act in which to avert crisis, financial distress and probably default in Mexico." Rubin said later. They had, he said, just a few opened in Mexico on Tuesday

hroughout the previous week, the administration's port for the con-gressional plan had been intense. Mexican and US officials had been in constant contact. Foreign minister José Angel Gurria had, one Mexican official said, "virtually set up shop" at Foggy Bottom - the US State Department - negotiating the conditions for the

As support for the plan waned, former finance minister Pedro Aspe and presidential chief of staff Luis Tellez made

to lobby for the plan and explore alternatives.

After returning to Mexico a gloomy analysis, Téllez got together with Ortiz, central bank president Miguel Man-

cera and commerce secretary Herminio Blanco. Together, they wrote a document, sent to Washington the following day, detailing the critical condition of Mexico's financial system and the need to act quickly. Reserves were falling towards \$3.5bn and more than \$2bn of a special 89bn credit line from the US Federal Reserve had been used.

Funds from the US credit line would be necessary to redeem maturing tesobonos the dollar denominated securities at the heart of the government's liquidity problems. The document also said that this money, together with the original IMF disbursement, would not be enough and eventually exhausted

When the document reached Washington, it became clear that time was running out. Alternatives to the loan guarantee plan - including the use of the stabilisation fund - were explored in detail on the Saturday at a meeting of top administration officials in the Roosevelt Room at the White Publicly, the administration

continued to seek support for the loan guarantees. On Sunday evening, Clinton telephoned leaders of both parties in Congress and asked for a bill to be introduced in the House "by the close of business" Monday. No mention of an alternative plan was made in phone conversations with

Despite this, the possibility of switching to Plan B was raised in Paris on Sunday by Lawrence Summers, US undersecretary for international affairs, at a meeting with his opposite numbers from the Group of Seven industrialised countries, a senior G7 official said. However, the guarantee package was not dismissed as dead at the session, which was to prepare for a gathering the following weekend in Toronto of the G7 finance ministers and central bank governors.

The emphasis in Washington on Monday morning was still on putting a bill on loan guarantees together. "This is obviously an unchosen issue at an unwelcome time, but that doesn't mean it's an issue that can be ducked," said Congressman Jim Leach, chairman of the House hanking committee and chief Republican negotiator on the loan guarantees leg-

Leach and Barney Frank, the negotiator on the Democrat side, had done most of the work on the draft legislation, several versions of which had been bouncing back and forth between them. However, relations between Republican and Democrat legislators had soured: and the drafts were not being passed directly between the negotiators, but via the White House.

Over the weekend, Gingrich and Richard Gephardt, the House Democratic leader, had begun to take over the negotiations. Gingrich told the White House on Monday morning that prospects for putting the bill together were improving. He said negotiators were closing in on a compromise that addressed Democratic concerns that the legislation should include protection for US labour. But Frank's judgment was that the Republican draft was "a little better" but still not good enough to win over many Democratic votes. Late in the afternoon, Ging-

rich postponed a meeting with Gephardt to meet a group of Republicans, including Bob Dole, the Senate majority leader, Governor George Bush of Texas, and Governor Fife Symington of Arizona, who were lobbying for the

By this time, Dole was very pessimistic: "Everybody's adrift. Support has eroded." They were still a long way from getting a bill; even further from getting votes. Gingrich soon afterwards

picked up the telephone to call Panetta at the White House. It would take at least another two weeks to line up support At the end of January, President Bill Clinton gave up a fight to push through Congress a package of loan guarantees to bring Mexico out of a financial crisis. He announced he would replace the guarantees with \$50bn of US and foreign support. FT writers examine the background and implications of the decision, which is still far from resolving the crisis. Analysis by George Graham in Washington, Peter Norman and Stephen Fidler in London and Ted Bardacke in Mexico City.

for the package. If the president acted on his own, Conwould breathe "a huge

ndrew Crockett, general manager of the Basle-based Bank for Interna-tional Settlements, arrived on Monday night back in Basle from Davos. The ski resort, which once a year hosts the world's economic policy establishment, had been riven with rumour about Mexico.

About 7am on Tuesday lam Washington time - he received a call he had been half expecting - a Fed official told him of the tentative plan to switch to Plan B.

Through transatlantic telephone calls on Tuesday morning, Crockett learned that the was prepared to use the stabilisation fund to provide \$20bn. Largely on the strength of this, the BIS chief advised the US that the White House

mer head of the New York investment bank Goldman Sachs, was not yet in harness.

The Europeans felt the Trea-sury team, including Summers, lacked experience in handling were irritated by what they saw as Summers's arrogance. The Treasury team had apparently assigned a much higher priority to informing and consulting legislators on Capitol Hill Even on the Hill, Rubin's support for the loan guarantee package was seen as backfiring: many legislators saw Rubin as arguing for a ball-out to help out his old pals on Wall

The British and others argued that the Mexican crisis did not add up to a systemic problem for the world financial system; that they were being roped into bailing out US pension and mutual funds which had invested imprudently in high-yielding Mexican paper; that the US was shirking its regional responsibilities.

extra finance had to be brought in. The IMF was an obvious source. When the administration informed the Fund on Monday night of the switch, it did not ask for anything specific.

Treasury officials worked all night on the detail, keeping Mexican officials in touch with developments. When they went home at 5am, there was still no indication that there would be more money from the IMF. The answer came around

7am on Tuesday in a conference call with Michel Camdessus, the IMF's French managing director, his deputy Stanley Fischer, Rubin, and According to the programme

developed by Camdessus and Fischer, the IMF stood ready to lend to Mexico a total of \$17.8bn. 31/4 times more than it has lent to any single country in an operation in its 50-year history. It would permit an unprecedented immediate disbursement of \$7.8bn. The IMF have worked with other countries to prepare a new pack-

Together with C\$1.5bn (£690m) already promised by Canada, and a pledge of \$3bn from international banks that Clinton did not mention, the finance available to Mexico appeared to exceed \$50bn. The President did not say the BIS contribution was not agreed. Neither was the bank finance.

This was the first time some European officials heard of the package's details. "President Clinton goes to the press and says the Fund will do this and that. It was just not acceptable. We are not banana republics," said a senior European official.

The administration did not get around to consulting European colleagues until Tuesday afternoon in Washington, "Was there as much consultation as there would normally be among the G7, and between the [IMF] managing director and the board? No, but this was an extraordinary situa-

meeting, no-one objected and he brought the gavel down. Afterwards the German and British representatives went to Camdessus and asked to be recorded as abstaining unusual for meetings where decisions are usually taken by

"When the circumstances are exceptional, the support must be exceptional," Mr Camdessus said at a press conference the following morning, describing Mexico's liquidity problems as "the first major crisis of our new world of globalised financial markets"

If Mexico had resorted to foreign exchange controls, it would have been a true world catastrophe as the pressure on others to follow would have been tremendous, whatever the quality of their fundamentals." The executive directors from Belgium, Switzerland, the Netherlands and Norway together representing 36 countries in Europe and central Asia - were not convinced. They asked Camdessus by letter to record them, too, as abstaining. Belgium later

revoked its abstention. Officials pledged to air their concerns fully at the meeting of G7 finance ministers and central bank governors in Toronto's Four Seasons Hotel. They were to meet for dinner on Friday night, with the business session on the morning of

Saturday February 4.
Originally scheduled as a tting-to-know-you session for Rubin, the new US Treasury chief was to going "to get an earful", according to one Euro-

announcement on Tuesday, he suggested the enlarged BIS loan was separate from the new IMF financing. The new BIS financing had become a bridge to nowhere - or Clinton was double counting.

The package thus raised the nify central bank support for Mexico. If the central banks were to avoid taking on a large unsecured credit to Mexico. they would need collateral or other equivalent assurance. Yet, though the details were still being worked out, it seemed the US had grabbed the best collateral - Mexican oil receipts directed through the New York Fed in case of default. It is not clear how - or even if - this issue has been

When Bundesbank president Hans Tietmeyer emerged this Monday afternoon at the BIS head office in Basle from a meeting of central bank governors, he told waiting reporters that a financing of "up to \$10bn" had been "generally agreed". But the terms of the agreement were confidential and would not be disclosed.

However, one finance official in Europe said last week that the BIS financing for Mexico would be essentially a bookkeeping exercise. The money would stay in the home central banks and Mexico could describe it as part of its reserves – but would not be able to use it.

Whatever the status of the BIS finance, the funds from the US - a mixture of credits and guarantees - constituted real money to be transferred to Mexico's reserves if necessary, though the negotiations with Mexico over terms and condi-

Clinton's potentially controversial move to use the stabilisation fund has been largely supported in Congress, where legislators reacted mainly with relief that they were not asked to vote on the guarantees. But hostility to a Mexican bail-out remains strong, particularly among newly elected members, who make up nearly a third of the Republican majority in the

More fundamentally, transatlantic co-operation has been sorely tested, with possible implications for the future. The perception has persisted that the US was not straightforward. "To the US public they say this is a matter of the national interest; to the international community they say it is a systemic risk," a senior European monetary official

The longer-term impact of the crisis on the IMF remains to step in to the Mexico crisis. As his deputy, Fischer, indicated in an internal memorandum after the devaluation, the Fund's surveillance mechanisms left much to be desired. Work is now starting to improve the early warning signals, though the question of what happens when the early warning has sounded remains

As the crisis deepened, Camdessus saw an opportunity to place the IMF at the centre of a critical issue in which it had hitherto been peripheral, as his countryman Jacques de Laroisière had in the Latin American debt crisis of 1982. At the same time. Camdessus managed to please his organisation's largest shareholder. But the RMF chief has taken

ources without the backing of holders of around a quarter of the organisation's shares. Some European governments remain angry that he promised so much with minimal consul-

The peso's continued recent fall shows that market confidence in Mexico remains low, and emphasises the risks that have been taken to put the rescue together. The Mexican economy will spend time in intensive care under the min-ute supervision of the IMF and the US Treasury. Camdessus's fate and that of the Clinton rescue package will hang on how effectively the Mexican government manages a severe economic adjustment. If all ends happily, the controversy may be forgotten; Camdessus may even be a hero. But, as one senior European monetary official observed: "Not yet".



Chewing over the details: Leon Panetta, left, in a crisis meeting at the White Honse with Robert Rubin, Sandy Berger and Bill Clinton

could announce that discussions were underway for a doubling of the BIS tranche of the support package to \$10bn. Crockett, a former senior Bank of England official who had spent time at the IMF, felt he could hold out this prospect because that level of support had been discussed in a desultory fashion for some time.

The BIS originally announced on January 3 that some member banks had agreed to a \$5bn credit facility as part of a total \$18bn aid package, also backed by the US, Canada and private banks. This move had not been popular with European central bankers, although at the time it was envisaged that the BIS credit should be a largely a "bridging" credit to an IMF

standby loan

When the US announced its guarantee scheme on January 12, the US asked the BIS if it could raise the amount to \$10bn. Germany's Bundesbank and the Netherlands central bank were especially unhappy. Contacts between the US Treasury and foreign governments had also been weak as the Mexican crisis gathered strength around Christmas. Lloyd Bentsen was quitting as US treasury secretary and Rubin, for-

Longer term, they argued, the plan constituted moral hazard, an action that would encourage future unwise behaviour by policymakers and investors - the very behaviour that produced the crisis in the first place.

Discussions among central canks on raising the BIS contribution therefore went slowly. Some felt there was no would take some time to win congressional approval. Although cool to the idea. Bundesbank officials had intimated that they would probably participate in a bigger package of up to \$10bn if other central banks took part.

Against this background, Crockett made clear at the outset there was no final agree-ment on the size of its credit or on how much each central bank would contribute. He and European central bankers were surprised and, in some cases, annoyed that Clinton's announcement of the new support package later that day implied the BIS credit was sewo up.

The preliminary decision to switch to Plan B was just the start of what Rubin called "a very agonising night". For the plan to be credible, substantial

non-industrialised countries to chip in, with any shortfall to be made up by the Fund. Clinton summoned the House and Senate leaders -Gingrich, Gephardt, Dole and enator Tom Daschle - to an 8.45am meeting. It was also attended by Vice-President Al Gore, secretary of state Warren Christopher, Rubin, Panetta and other top White House officials. They were given a choice of an all-out push for quick legislation, or executive action

would ask central banks from

using the exchange stabilisation fund. They opted for Plan B: they would back the president if he acted unilaterally. Camdessus notified the IMF board at 9am - UK Treasury officials said later this did not amount to consultation - and went back to Mr Rubin and Mr Summers with initial sound-

About 11.15am, Clinton addressed the National Governors Association at Washington's J.W. Marriott Hotel, outlining the new package. "The leadership advised me that while they believe Congress will - or at least, might - eventually act, it will not do so immediately. And therefore, it will not do so in time. Because Congress cannot act how. I tion." a senior US official said. Though it started slowly. transatlantic consultation became intense in the next 24 hours. But European anger was not quelled. It manifested itself in the first formal discussion on the package, at the IMF's executive board meeting

There was deep disagreement at the meeting, put back from 2.30pm to 6pm because of the late arrival of documenta-tion. Germany and Britain were sceptical that the risk of contagion to other economies constituted a systemic crisis. The French were more willing to accept the argument. "We don't know how the interna-tional markets would have reacted, but in the end, the risk of a default by Mexico could not be run," a French

The IMF and the US saw the risks as self-evident, "If Mexico had imposed currency controls or declared a moratorium it would certainly have spread to other countries. Then the Fund would have faced an even big-ger challenge: how do you deal with five or six Mexicos?" said a senior US official.

The meeting stretched on to 11.20pm. At the end. Camdessus put the package to the

nean official. But by the end of the meeting, the usual G7 process of papering over the cracks had been successfully achieved. The participants offi-cially expressed "total satisfac-tion" with the Mexican rescue. "There is no question that

ports the package fully," said Rubin after the meeting. "I really don't think we left with A senior German official put it slightly differently: "It is in nobody's interest to see the package collapse, but it had to be made clear that this must

every member of the G7 sup-

he cracks may smoothed over for oublic consumption, but there remained difficult issues to resolve. One concerned the conditions under which the BIS central banks would pro-

not happen again."

vide finance to Mexico. Central banks normally lend only when they have concrete guarantees they will be repaid. The original \$5bn of BIS finance for Mexico announced on January 2 was to be a bridge to the original IMF credit

Yet when Clinton made his

يعكنا من الاحل

By George Graham

Republicans once again brought in a good crop of Democratic votes when they pushed the last and most controversial element of their package of crime legislation through the House of Representatives, despite hostility from Democrat leaders in Congress and the threat of a veto by President Bill Clinton.

The bill would replace the programme Mr Clinton backed last year to finance the hiring of 100,000 new police officers with a system of block grants that local governments could spend as they choose. The new measure passed the House on Tuesday night by 238-193.

This was, in fact, one of the closest votes since the new Congress convened on January 4. Although the Republicans only have 230 seats to the Democrats' 204, with one independent closely aligned with the Democrats, they have again and again been able to garner 280-300 votes for their "Con-

By Angus Foster in São Paulo

President Fernando Henrique

Cardoso is expected to propose

today the first of a series of constitutional amendments he

says is needed to modernise

Brazil's economy and politics.

The proposals, which need

three-fifths support by Con-

gress, are meant to remove

some restrictions on competi-

tion which the 1988 constitu-

tion imposed. Other proposals,

to be introduced over the com-

ing weeks, will seek to reform

the creaking tax and social

security systems and balance the government's budget.

to be proposed today would let

the private sector enter joint

The main changes expected

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THE

tract with America" legislative programme, which they are trying to push through Congress within 100 days. Sweeping as their electoral

victory in the country appeared to be in November, the votes in the House have shown the Republicans' dominance in the lower chamber to be even greater than party numbers would suggest.
While the Republicans have

shown a discipline not seen for years in a majority party in the US, a strong contingent of right wing Democrats, many of them from the South, has repeatedly defected. The Senate, where the Republicans hold 53 seats to

the Democrats' 47, is different the need to muster 60 votes to cut off debate gives the minority much greater power. But in the House, the Democratic leaders' problems are

just beginning, as a group of 23 House Democrats has now banded together formally. It calls itself The Coalition and wants to set out a conservative programme, distancing itself · over.

Proposed constitutional amendments expected today

More liberal Brazil in view

cations concessions to the mi-

state-controlled companies.

piped gas distribution.

vate sector, instead of just to

Private investors would also

be allowed to compete with

state-owned companies in

controlled companies would be

removed, as would constitu-

tionally required, but largely

symbolic, advantages for com-panies controlled by Brazilian

capital. This would let foreign

controlled companies compete

for mining and bydro-electric

The proposals would increase competition for Brazil's inefficient state-owned

sector. But the reforms are

likely to be much less ambi-

Some restrictions on foreign

from the more left-wing party

"This is not the first step in a conspiracy to register as Republicans. We want to be constructive," said Congress-man Gary Condit, a California Democrat who has been one of

the leaders of the new group. He and 12 other members of his group all voted for the Republicans' crime bill on Tuesday, joined by five more Democrats not formally aligned with them.
Some of the southern Demo-

crats take positions so far to the right that they have long been seen as closer to the Republicans than to much of their own party. Several members of Mr Condit's coalition are seen as likely candidates for switching party label.

Even so, Democrats, noting nine Republican defections on Tuesday over the crime bill vote, have not given up hope that moderates will start to show more independence once the 100-day drive to complete the Contract with America is

communications monopoly.

Disappointment with the mea-

sures helped push the São

Paulo stock market to an eight-

Advisers to Mr Cardoso say

he is determined on caution, to

get the measures approved

rather than see the reforms

blocked in Congress, as hap-

pened last year with attempted

But critics point out that the

tax and social security reforms.

which are more controversial

and are causing splits between

certain ministries, are already

behind schedule and threaten

the government's target of

approving the measures by the

end of June. Any delay would

threaten in turn hopes for an

month low on Tuesday.

constitutional revision.

tainable development. The US blueprint builds on the Clinton administration's National Information Infrastructure plan, recommending private networks with flexible government regulation, cou-pled with efforts to make sure that poor people are not shut out of the information age.

global

By George Graham

blueprint

Vice-President Al Gore

yesterday unveiled the blue-

print for a "global information

infrastructure" which the US

will propose to its partners in

the Group of Seven leading

industrial nations, at a meet-

ing in Brussels next week to discuss telecommunications.

global telecommunications

networks built with private

capital but open to competi-

"Such a network will enable

Americans to communicate

across national boundaries

just as easily as communicat-

ing across state boundaries

today," said Mr Gore, who has long argued that the opportu-

nities to exchange information

and ideas opened by new tech-

nologies are essential to sus-

panies wishing to use them.

Mr Gore said the US wanted

In the international arena, the US recommends working with the World Bank and the regional development banks to find ways to attract both private and public capital into telecommunications projects, and urges the adoption of regulations to encourage open networks by requiring telecommunications companies to allow non-discriminatory access to their networks.

The US also wants the adoption of technical standards to ensure that national information networks can be connected in the same way as ordinary telephone networks today.

It was the US, at the summit in Naples last year, which pressed for the G7 to take up Gore will lead the US delegation on February 24-26 at the ministerial meeting in Brus-

Democrat defectors | US offers | Microsoft back 'on the hook' Louise Kehoe interprets US court ruling on the software company telecoms

operating systems businesses.

The consent decree failed to

address many of the concerns

raised during the investigation,

the judge said, and even on the issue of licensing practices did

not go far enough because

"there may be endless debate

as to whether a new operating

system is covered by the

In his ruling, the judge also

raised concerns about accusa-

tions that Microsoft has "pre-

announced" products to stymie

competitors' plans for compet-

ing programs. He complained

reasonable concerns that have

been raised by the court."

icrosoft, the most powerful company in the world information technology industry, may face the prospect of tougher antitrust sanctions after a judge's rejection of a settle-ment reached with the US Jus-

tice Department last July.
The settlement would have "let Microsoft off the hook", critics in the software industry charged. Yesterday, they applauded the decision of Judge Stanley Sporkin, to reject the settlement as "too narrow".

The judge's decision throws the case back to the Justice Department, which must now decide whether to appeal against the ruling, try to amend the settlement agreement to make it acceptable to the judge, possibly by broaden-ing the sanctions that it imposes on Microsoft, or take the case to trial.

in the proposed settlement last July, Microsoft had agreed to modify the conditions of the software licences it grants to personal computer manufacturers for MS-Dos and Windows, the widely-used PC oper-

ating system programs. The Justice Department charged that the company's long-term licensing contracts in effect blocked competition in the PC operating system market. While agreeing to shorten its licences to one year, Microsoft admitted no

For the dozens of US software industry executives who, over the previous four years, had shared their experiences of attempting to compete with Microsoft with government investigators, the settlement was an anti-climax. Many felt the Justice Department had "caved in" by failing to address broader issues.

charge that Microsoft has used its dominant role in the PC operating system market, where it holds an approximately 85 per cent market share, to gain unfair advantage in the markets for application programs such as wordprocessors, spreadsheets and games. During his five-month review of the case, Judge Sporkin questioned whether the government should not break up

to separate its applications and

In particular, competitors

Microsoft is not alone in announcing "vapourware" software products that do not yet exist and which are unlikely to be launched in the near future. More significant. they say, are Microsoft's "bully tactics" that limit competition.

While Judge Sporkin may not be well versed in the ways of the software industry, said a software company lawyer, he had been astute in recognising that the antitrust settlement agreement sidestepped the real The judge was also critical of

the Justice Department, comthat the Justice Department plaining that the government had not addressed this issue in the settlement agreement. agency had refused to reveal Microsoft acknowledged that how and why it had arrived at it had used such tactics, but the settlement. "The picture that emerge refused to agree not to do so in

future, the judge complained in from these proceedings is that the US government is either his written opinion. "While Microsoft has denied incapable or unwilling to deal effectively with a potential threat to this nation's ecopublicly that it engages in anticompetitive practices, it refuses to give the court in any nomic well being," said Judge respect the same assurance. It Sporkin in his ruling. has refused to take even a If the settlement were small step to meet any of the

approved by the court, he said, the message will be that Microsoft is so powerful that executives acknowledge that government, is capable of deal- into its implications.

Bill Gates, Microsoft co-founder and chairman: his critics attacked the legal settlement ing with all of its monopolistic practices". The judge has set a hearing

for March 16 to continue proceedings. It is unclear, there fore, whether his ruling is final and thus whether it may be possible for the Justice Department to appeal. In the meantime, Microsoft's

future is clouded by uncertainties over what will happen next in the antitrust case. The company's bold statement last July that the settlement would enable it to "put this behind us and move forward... avoiding further expense and distraction" now appears to be a vain

Although Microsoft is clearly hoping for an appeal, it is not yet clear whether the Justice Department will be willing to take this course.

What's more, the Justice Department, embarrassed by the judge's admonitions, could take a stiff line on Microsoft's planned \$1.5bn acquisition o Intuit, the leading personal finance software company. A routine review of this transaction is believed to have expan-

NEWS: THE AMERICAS

tious than many private sector ventures with the state oil equally important set of politimonopoly Petrobrás in petroand foreign investors hope. cal reforms which must be lemm exploration and produc-The government does not completed by year-end in order nt would be allowed to grant telecommuni- Petrobras or Telebras, the tele- elections next year. When you have been entrusted with that kind of money, you can afford to make a stronger promise than others.

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N Korea threatens to scrap nuclear deal

By John Burton in Secul

North Korea yesterday threatened to scrap its nuclear agreement with the US if Washington insists that Pyongyang must accept South Korean light-water reactors.

In a sign of renewed diplomatic brinkmanship, the North Korean foreign ministry warned that "it might be better for us that the agreement is scrapped now in the initial stage than spending time with debate on the infeasible provision of the LWRs (light-water

The US and North Korea must sign a contract on the supply of reactors to Pyongyang by April 21

October's nuclear accord.
Under the agreement Pyongyang promised to dismantle its current nuclear programme, which is capable of producing atomic weapons, in return for

the safer light-water reactors. Although the country of origin for the light-water reactors was not specified, the accord stated that they would be simi-lar to a model used in South

South Korea has promis finance more than half of the \$4bn project, but it has warned that it would withhold the money if North Korea refuses North Korea said it was under no obligation to accept

the South Korean reactors

pay for any new reactors.
"Under these conditions, it is a fully legitimate right for us, the buyer, to choose the reactor type we like," explained the

foreign ministry. Pyongyang has raised safety and operational concerns about the South Korean reactors, which are based on licensed technology from Combustion Engineering of the US.

However, analysts in Seoul believe that North Korea is opposed to the South Korean reactors because Pyongyang would be forced to accept the presence of hundreds of South Korean technicians and engineers during the 10-year construction period.

Pyongyang also fears that acceptance of the South Kora stranglehold on North Korea's future energy supply since the reactors are operated

on imported uranium fuel. The supply of the South Korean reactors would also amount to a humiliating acknowledgement by North Korea that its southern rival is more economically advanced.

Instead. North Korea would prefer a friendlier or neutral supplier. "There are four or five countries in the world which have a perfect capacity to build light-water reactors and a rich experience of export," the ministry said. North Korea has approached Russia and Siemens of Ger-

many for the supply of the reactors. Moscow has recently

1991 agreement to sell its reactors to Pyongyang.

Meanwhile, Seoul is urging the US to resume their annual Team Spirit military exercise this spring as a means to press North Korea to accept the South Korean reactors and renew political dialogue.

Pyongyang has long opposed Team Spirit, which was suspended last year to per-suade North Korea to sign the its revival could force

Pyongyang to scrap the agreement in the same way that the staging of Team Spirit in 1992 contributed to North Korea's threat to withdraw from the Nuclear Non-Proliferation Treaty, which precipitated the

If North Korea continues to refuse to accept the South Korean reactors, it would not necessarily jeopardise the nuclear acreement with the US; according to Mr Choi Dong-jin, who heads the South Korean agency responsible for supplying the reactors to Pyongyang.

"The agreement would remain valid, but we just wouldn't pay

for it." he said. But the withdrawal of South Korean financing would give the Clinton administration, in the absence of support for the deal from the Republican dominated US Congress, the very difficult task of finding donors from other countries to pay for possibly Russian or German

Manila steps up Spratlys watch

The Philippines government will step up aerial and naval watch on the contested Spratty Islands in the South China Sea as well as lodging a strong diplomatic protest with Beiting, it said yesterday. China occupies the part of the Spratly Islands claimed by Manila. President Fidel Ramos told the Philippines National Security Council the building of Chinese naval installations on the Kalayaan Islands group contravened interna-tional law as well as the 1992 Manila declaration urging peaceful resolution of the Sprattys dispute The oil-rich islands peaceful resolution of the Spratiys dispute. The oil-rich islands are contested by Beijing, Vietnam, Taiwan, Malaysia and Brunei, Manila says. "We shall exhaust every diplomatic option available to us," the president added. He praised the Philippines House of Representatives for enacting a bill to modernise the country's armed forces which, say commentators, have been shown as weak and outdated by China's recent posturing over the Spratiys. Ethourd Luce, Mantila

Tokyo coalition wins reprieve

Japan's coalition government won a reprieve yesterday when would be rebels in Prime Minister Tomichi Murayama's Social Democratic party postponed a plan to defect. The 24 rebels, enough to destablise the fragile coalition, had planned to leave the SDD and beautiful the SDD and the enough to descendise the traggic command when the Kobe leave the SDP on January 17, but delayed when the Kobe earthquake struck on the same day. Mr Sadao Yamahana, their leader, said they would now put off the defection until after local elections in April.

They plan to form an independent centre-right group, a candidate to join future coalitions. The postponement reduces the pressure on an exhausted Mr Murayama, who is 70, at a time when rumours are growing he is considering resignation. His government is fighting criticism over alleged poor organisation of the earthquake rescue, and battling against the bureaucracy over cuts in state agencies. The Liberal Democratic party, the dominant coalition partner, is eager to keep Mr Murayana in power. If Mr Murayana were succeeded by a context IDS patitions. senior LDP politician, a Socialist break-up would again become imminent. William Dankins, Tokyo

Japan's trade surplus halves

disruption to exports caused by last month's earthquake in Kobe, the country's third largest port, intensified an underlying swing in the balance. The surplus fell by 52.3 per cent to \$2.88bn (£1.86bn), from \$6.03bn in the same month last year, according to a preliminary finance ministry report. Exports rose 4.2 per cent to \$27.2km, outstripped by a 22.2 per cent rise in imports to \$24.3km, still below the overseas trade total. Despite the overall fall, Japan's trade balance with the US rose slightly, by 3.5 per cent to \$3.19bn. The general decline in the surplus continues the trend established in the second half of last year. William Daukins Tokyo

Taiwan reserves hit record high

Taiwan's foreign exchange reserves hit a record high of US\$92.454bn (£59.8bn) at the end of December 1994, the central bank said. December reserves were up from \$92,268bn in November and \$83,578bn a year ago. It was the second consecutive month of rises in foreign reserves. Gold reserves at end-December were at 13.565m fine troy oz, unchanged from Novem-ber and slightly up from 13.558m oz in December 1993.

BHP Petroleum cuts Asia staff

group, is cutting staff in the Australia/Asia region by almost 25 per cent, it said yesterday. This follows a review of the division's organisation, and a decision to combine the Austra-Han and Asian petroleum operations into one regional group, to sit alongside the Americas and Europe/Russia/Africa/Middle East petroleum sub-divisions, reducing these from four to three. Staff in the Australian and Asian divisions will be cut from 1,172 to 881, with reductions spread across most areas. BHP said yesterday about half these jobs were held by contractors; 50 people will be re-employed elsewhere in the company.

which will buy commercial property in south-east Asia. The Bermuda-registered South-East Asia Property Company is one of the first vehicles to enable institutions to invest directly in the region's property markets. Until now most investors have preferred to buy shares in local property companies rather than own buildings directly.

Japan's trade surplus more than halved last month, as the

BHP Petroleum, part of the Australian energy and resources

Asian property vehicle formed

A group of six institutional investors led by Prudential Insurance of the US have contributed \$200m to a new company

Including borrowings, the company will have up to \$500m available for investment. The property portfolio will be managed from Singapore by a joint venture between the Prudential and Jones Lang Wootton, the surveyors. Other shareholders are Seaprime Investments, (affiliated to the Government of Singapore Investment Corporation), Australian Mutual Provident Society, Nationale-Nederlanden, part of the ING insurance group, the Abu Dhabi Investment Authority and the State Superannuation Fund of New South Wales. Simon London, Property Correspondent

Farhan Bokhari, recently in Jalalabad, explores the appeal of Afghanistan's young Islamic zealots

Mysterious 'Talibans' at Kabul's gates

he failure of Afghan-istan's mujahideen lead-ership to end the fac-tional fighting that has claimed 25,000 lives since the war was supposed to have ended three years ago has created the conditions for a fresh

fundamentalist uprising. A new movement of "Talibans", or students from Islamic schools, who have spent most of their lives under the influence of religious zealots turned teachers, is fast changing the face of the Afghan military and

Yesterday the mysterious force had fought their way virtually to the gates of the capi-tal Kabul which they appeared determined to take. They said their aim was to disarm all warring Afghan groups.

After driving the head of the Hezb-i-Islami faction, Gulbuddin Hekmatyar, from his headquarters 25km south of Kabul, the Talibans were

demanding entry.
The Talibans, by some accounts consisting of up to 20,000 armed young men, have already taken over provincial governments in five of Afghanistan's 29 provinces in the past three months and have made their most significance advances over the Islamic religious month of Ramadan.

Last night the nominal government of President Burhanuddin Rabbani and representatives of the Talibans held tense negotiations in an attempt to avert fresh fighting.

A UN peace plan calls for the formation of a multiparty governing council this weekend, but the proposal could be undermined if the two sides launch a new round of combat. The Talihans told President

Rabbani's forces to pull back to The government forces were put up, if the Americans

still controlled the city's southern border. No serious fighting was reported.

With the scale of devastation that plagues Afghanistan today, it is not surprising that the Talibans have gained so much ground, in spite of the fact that they advocate the total seclusion of women from daily life, ending the few token freedoms available under the mujahideen government, and telling people not to play chess or soccer because they are "un-Islamic" pursuits.

The Talibans' appeal is simple: they say they will remove the "incompetent" mujahideen government in Kabul which had not only failed to bring peace but also to provide basic needs such as food, shelter and

The international relief agency Care recently reported that more children under the age of five are dying of disease in Afghanistan than in any other country.
Repeated appeals from the

UN and countries in the region urging different factions to lay down their arms have failed to bring permanent peace among the warring factions, especially around Kabul.

In the refugee camps around Jalalabad, the last frontier town before Pakistan, habies are freezing to death during the night. World Health Organisation officials estimate that up to 40 per cent of children are suffering from acute respiratory infections in the camps of 200,000 people. Care estimates that up to 200,000 more people may be forced to leave Kabul as a result of disease, hunger and cold.

One UN official points towards the hard, rocky, barthe southern edge of Kabul. ren ground: "Before the camps appeared to concede some would have told the world that



Taliban forces preparing to attack Maidan Shahr in the south-east earlier this month before sweeping on to Kabul

this was the moon, people would have believed them." UN backed reconstruction and relief efforts continue to work on a tight, shoe-string budget. So far this year, less than 14 per cent of the UN's annual appeal of \$106m for Afghanistan, made before last Seutember, has been committed. The figure for commitments is almost the same as for the previous year, showing continued

international frustration. Visa restrictions by neighbouring Pakistan and discouragement of new refugees by Iran have closed escape routes to the two countries that gave safe havens to Afghans for many years. Forced to stay in their own country, many would find the Talibans no worse an option than the muja-

diplomats say.
The spread of the Talibans has raised fresh worries among Pakistani officials and some diplomats, concerned over the future of efforts to control the large flow of drugs from

hideen government, western

Afghanistan if a new government closes contacts with the west. There is also concern the ment would try to spread itself to other countries of the region, especially some of the newly independent central Asian republics.

Within Afghanistan the influence of the Talibans is already evident, even in areas not under their control in Jalalahad all women except those working in the health and teaching professions have been ordered to return home after a

Talibans, warning the government that Nangarhar province, of which Jalalabad is the capital, could be their next tar-The province is hardly in

visit by emissaries from the

any shape to resist. Young sol-diers, militiamen and government employees have not been paid for four months. The goverriment is bankrupt. The more fortunate people in Jalalabad, a city of half a million, get electricity for one night a week, at best, and other essential commodities are either in short supply or too expensive

for the average household. For the world at large, the primary danger from the rise of groups such as the Talibans comes not only from the possibility of their influence spilling little Columbia, were destroyed in future the costs may be too high. The mitiative has triggered fresh dissent in his 50-man shara, or council of representatives of different factions, which holds the key to peace in the province.

over in the region, but also

concern about the future of

western-backed efforts to cur-

tail the flow of drugs such as heroin, produced largely from

poppy grown by Afghan farm-

This year, some 20,000 acres

of poppy fields - or almost 70 per cent of the crop in Nangar-har province, also nicknamed

The provincial governor, Haji Abdul Qadeer, may just have to back off to keep the coalition together and the Tali-

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Islamic students tap popular anger at mujahideen feuding

The Taliban Islamic student struck me as having nation- back to their old frontline. militia beating at the gates of Kabul owes its whirlwind rise to popular anger at Afghan mujahideen guerrilla factions who disfigured their triumph over Soviet occupiers by endless bloody fending, Reuter reports from Islamabad.

Rumours that the mysterious Taliban are backed by powers as diverse as Iran, Saudi Arabia, Pakistan, the US, Britain or even the UN have swirled for

"The Taliban are fairly home-grown," a diplomat said. Every other Afghan group has been getting help from outside powers, but the Taliban have something differ-

"The fact is no one has really unearthed telling evidence that they come from any

wide ambitions and somehow unstoppable," he said. "Their fresh approach has made them attractive to a broad popula-

The Taliban burst onto the scene in late October when they rescued a Central Asiabound Pakistani truck convoy from local Afghan commanders in the southern province of Kandahar.

They swiftly went on to capture the old royal city of Kandahar and then took control of half a dozen provinces inhabited by Pushtuns, one of Afghanistan's main ethnic

On Tuesday, they took the headquarters of main opposi-tion leader Gulbuddin Hekmatyar, a Pushtun, south

His flight allowed forces particular quarter. That's what is so bewildering," said one Islamabad-based diplomat din Rabbani to move into positions vacated by Hekmatyar's who has had contacts with the Hezb-i-Islami fighters, but yes-terday the Taliban demanded

The Taliban say they want to sweep away all the mujahi-deen factions tearing at the carcass of the Afghan state and replace them with a purist Islamic regime.

"Our only victory will be when we get a true Islamic state for Afghanistan," a Taliban commander named Mamour Jah says. "We are for a united and uniform administration for Afghanistan. Anyone who disagrees, we will fight."

The most prominent Taliban leader is Maulvi Muhammad Umar, a guerrilla turned reli-gious scholar in Kandahar who last year mobilised resistance to local mujabideen commanders whose extortion and sexual abuse had outraged the

community. The new movement touched a chord and soon religious students, or Taliban, were flocking to its standard. Many recruits were said to be Afghan refugees attending

The Taliban might have a

nucleus of religious students, but they also attracted exarmy officers, defecting guerrilla commanders and former In areas that have fallen to the Taliban, they have won acclaim by clearing roads of checkpoints manned by guer-

rillas who preyed on traffic, by

disarming guimen and oppos-ing the booming Afghan ium and heroin business, an element of keen interest to the western countries. Whether the Sunui Moslem Talihan can repeat their suc-cess in non-Pushtun areas of Afghanistan dominated by Farsi-speakers, ethnic Tajiks,

Uzbeks or Shi'ite Moslems remains to be seen. "They haven't conquered the whole country," a western dip-lomat said. "It's not so simple to enter non-Pushtun areas, but after Hekmatyar, Rabbani is definitely next on the

"When I first met them, they government troops should pull Tokyo regulator thwarts MPs

By Gerard Baker in Tokyo

Regulators of two Japanese financial institutions balled out by the government yesterday refused a request from the Japanese parliament to band over a full list of depositors in the two companies. The Tokyo Metropolitan gov-

ernment, which is responsible for regulating the Tokyo Kyowa and Anzen credit asso-clations, said it had a duty to protect the anonymity of inves-Instead it submitted to a parliamentary sub-committee

investigating the rescue a doc-ument which merely summar-

authorities' lack of openness and again demanded full disclosure of the names of the depositors. The row has fuelled the con-

troversy over last December's rescue of the two companies led by the Bank of Japan. The central bank injected Y20bn (£130m) into the two institutions and persuaded commercial banks to add a further Y20bn, after it was revealed that the two compa-

nies had more than Y100bn in

non-performing loans. were made to companies linked to one man, a property developer, Mr Harunori Takahashi, ised investors by categories. who is also the president opposition New Frontier party, Legislators condemned the of Tokyo Kyowa, and a and threaten to embarrass

The activities of the two businesses are being investigated by prosecutors for possi-ble false accounting and breaches of banking law. But in addition to his busi-

ness interests, Mr Takabashi is alleged to have close financial relations with a number of Japanese politicians and these links have stirred suspicions about the motives for the res-

Mr Takahashi's connections have already brought about inet minister, Mr Toshio Yamaguchi, from his position as a senior member of the reformist

other leading members of both opposition and governing par-

Though the detailed list of depositors was not made available yesterday, newspapers reported that it revealed that a substantial proportion of the deposits were also connected to Mr Takahashi.

Nearly a quarter of all deposits at Anzen bank were said to be linked to Mr Takahashi and Mr Shinsuke Suzuki, the president of Anzen, a revelation which will heighten the government's discomfiture.

The two men could turn out to be beneficiaries of the bailout, since some of the money injected seems certain to go to the associations' depositors.

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CRURK EXPORTS S.A., established in Aftens at 17 Panaplatimous Street, in its espacity as a special liquidator of ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. is accordance with Decision No. 7831/1992 of the Aftens Court of Appeal, by which ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. has been placed under special liquidation, and within the framework of strick 44 of Law 1892/40, as supplemented by article 51 of Law 2000/91 and complemented by article 51 of Law 2000/91 and complemented by article 51 of Law 2000/91.

interested investors to express their interest in purchasing the assets of ALPHA TELECOMMUNICATIONS AND SIGNALS S.A. now under special liquidation, either at a whole or each of its self-commissed functional outliers, is a) its real estate holdings; b) its technical incom-how in the field of fases, including instruments and organs for their production; c) medianical and other equipment and d) other assets (chims, specks, one), such submitting a non-limiting, written expression of interest within twenty (20) days from noisy.

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It was engaged in two sectors of activity: the production of electronic fuses for military the and the production and development of computer programmes. The company produced various types of from such as fuse and house and these percussion fases and was the exclusive supplies of the Greek Army. It should be noted that prior approval from the Ministry of National Defence is needed before the technical know-how for thee production can be pold.
The company has also developed various software programmes and at those intended for The company has also developed various software programmies such as those intended for war industries, M.L.S., hospitals, etc. The company has also participated in E.C. research programmes and has developed a digital telephone exchange (PAEX).

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Other data concerning the public ascessor.

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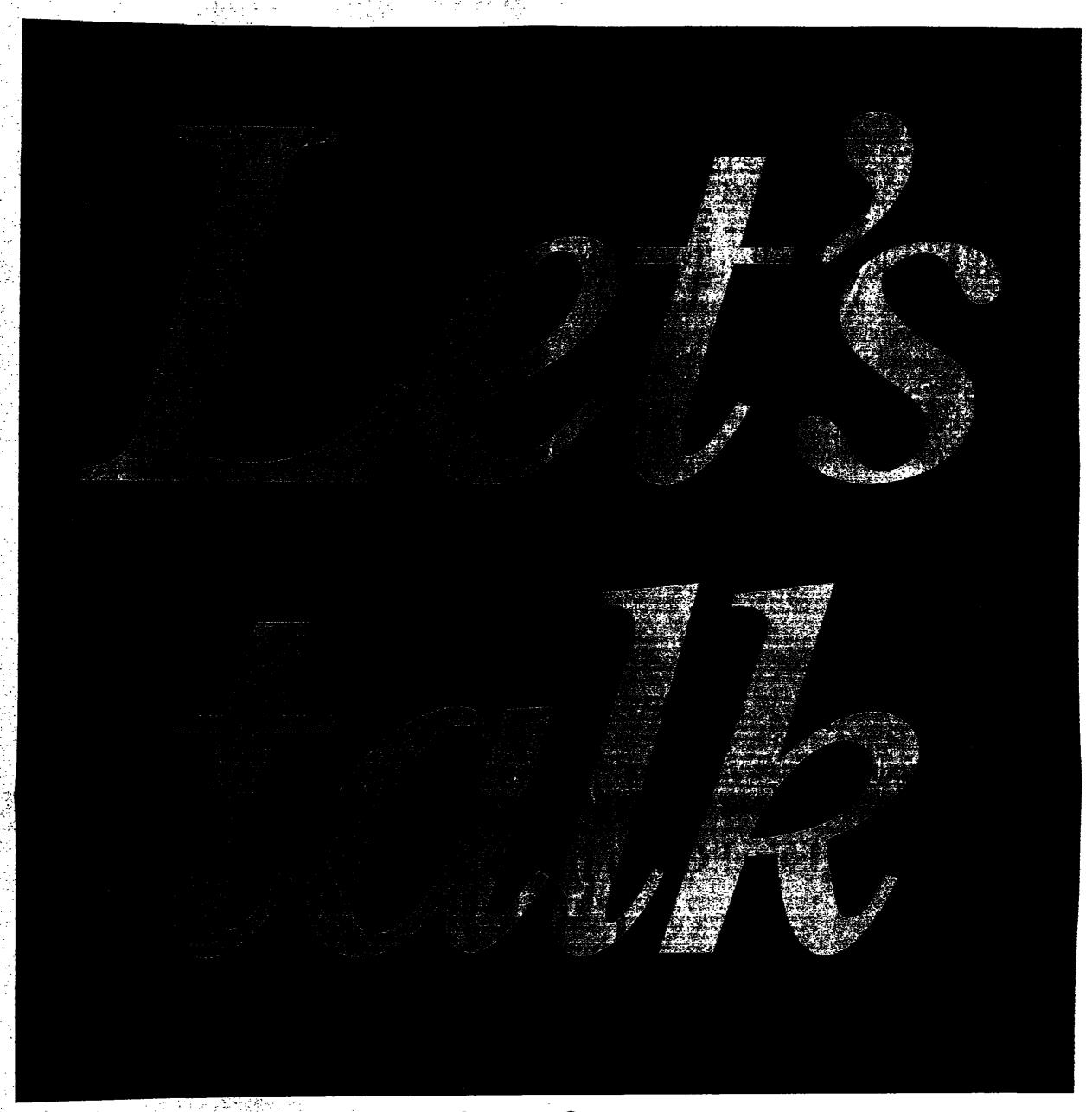
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Global communications

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The US reported last night that there was still a wide gap with China over a copyright dispute that is threatening trade relations between the two coun-

While the discussions were frank and amicable, there are still a large number of issues to discuss and resolve," the US said in a brief statement after the first full day of talks.

China's comments on the dis-

official Xinhua news agency reported that the two sides had expressed a readiness to take a pragmatic attitude towards the negotiations".

The US has threatened to impose 100 per cent tariffs on \$1.08bn worth of Chinese imports if the dispute over piracy of American information and entertainment products is not resolved by February 26. Beijing has said it will

Ms Wu Yi, China's foreign

come as the two delegations gathered yesterday at her ministry. She sounded rather more conciliatory than in recent uncompromising statements.

"I hope the spirit of these talks will be one of equal mutual benefit mutual understanding and mutual concessions," Ms Wu said. "I believe and I hope that this time the talks will be successful." Mr Mickey Kantor, US trade

the demands and they can meet them before the dead-

The US is demanding "concrete" steps against factories producing tens of thousands of counterfeit items, including compact and laser discs, videogames and films. American negotiators are also orging China to crack down on compatter software piracy.

American industry says rampant counterfeiting in China representative, yesterday said: costs producers of such items as CDs, video-games and com-

puter software an estimated \$1bn a year in lost revenue. China reported yesterday that officials had raided sev eral pirate compact disc plants confiscating some 340,000 pirated recordings. The raids took place last month.

People's Daily, the Communist party newspaper, said the action achieved "progress" in China's bid to beef up its protection of intellectual property. The report appeared designed

Japan's strategy is to push just a little ahead of the con-

ensus between the cautious

Asians and liberalising non-

Asians, say foreign ministry officials. Ideally, as Apec chair-

man, Japan wants to avoid being criticised for going slow

on free trade, and yet not push

Asian countries. It must produce some progress, even if slight, to satisfy leaders at the

summit in November.
The first issue for this year's

Apec agenda is to come to an agreed definition of trade liber-

alisation, a weasel phrase

which has very different mean-

ings in Washington and Kuals

Lumpur, as well as in different Japanese government minis-

tries. "We expect quite a range

of views on that," says one dip-

Japan will start by asking its

Apec partners to consider basic

questions such as the condi-

tions under which Apec free

trade accords would be offered

to non-members, whether Apec

plans to limit itself to enforc-

ing the free trade measures

agreed in the Uruguay round of trade liberalisation talks or

But, warn Japanese officials

do not expect any answers to

Apec's big questions. To

go further.

so hard as to upset devel

Dispute timing 'a setback for WTO'

Asia Editor, in London

US plans to impose sanctions against China for its infringe-ment of intellectual property-rights were bad for the trading system, Mr Kim Chul-su, South Korea's candidate to head the new World Trade

Organisation, said yesterday.
Timing of the dispute was unfortunate "when we are now starting a new order in international trade," he said during a campaign visit to

But Mr Kim, who is compet-ing for the job with Mr Carlos Sainas de Gortari, the former Mexican president and Mr Renato Ruggiero of Italy, was careful to drive a middle line in comments on the dispute. Since China was not yet a member of the WTO, no international dispute settlement mechanism applied, he said.

The heart of the Issue was

China's ability to enforce rules on intellectual property, he said. "I hope the enforcem measures will be implemented in such a way that they can resolve the problem."

Mr Kim said he still believed China's early entry would be good for the WTO but it would require a spirit of compromise on both sides. It would be unrealistic to expect China to accept all the obligations of membership from the begin-

The WTO should stick to

previous agreement not to allow Taiwan to join before China despite the controversy over the latter's entry.

As to the debate over the leadership of the WTO, the deadline of March 15 should be the last. Trade diplomats say the deadlock reflects the European Union's reluctance to abandon support for Mr Ruggiero, who has most backing from WTO members, and the strong US preference for Mr Salinas. Mr Kim has strong backing from Asian countries and some African ones.

There was no need to introduce an outside compromise candidate. That would only prolong the selection process,

WORLD TRADE NEWS DIGEST Mitsubishi to

lift chip output Mitsubishi Electric said yesterday it planned to invest Y30bn (\$303m) in its European semiconductor facility for production of advanced memory chips. The investment will enable the plant at Aladori in Germany to start wafer fabrication of 16-megabit dynamic random access memory chips (D-Rams), turning out 1.5m a month. Prospects for growth in European semiconductor demand prompted Mitsubishi to boost its operations as the market has moved increasingly to 16-mega-

"Further growth is expected in the European market particularly for personal computers and electronic equipment for automotive use, as well as telecommunications equipment such as portable telephones and electronic equipment," Mitsubishi said. It expects growth in the European market as high as 20 per cent "for years to come". Integrated manufacture of chips also allows the company to avoid high European tariffs on imported wafers. Michigo Nakamoto, Tokyo

Italy plans gas import plant

Snam, Italy's state-owned natural gas company, is planning to spend Li,000hm (\$319m) on the construction of one of Europe's largest plants to turn imported liquid methane into gas. Snam, part of Emi, the state-owned energy and chemicals group, wants to build the plant at Monfalcone, a port near Trieste in north-east Italy. It is seeking local support for the project, which should take about five years to complete. The plant would have an initial annual capacity of 8bn cubic metres and could help reduce Italy's dependence on gas imported via pipelines from Algeria, Russia and the Netherlands, which accounts for roughly 60 per cent of gas supplied in Italy. Snam, which is doubling its pipeline links with Algeria, said yesterday it did not rule out collaborating with other third-country producers to manage methane liquefaction plants.

Herlitz invests in Russian mill

A group of investors, led by Herlitz International Trading, a subsidiary of Herlitz, the German paper and stationery retail ers, and the International Finance Corporation, the private investment arm of the World Bank, have invested in AO Voles, one of the largest privatised paper mills in Russia. The \$150m deal aims to turn the mill into one of the most competitive in the region. Mr Gerard Jaslowitzer, chairman of HIT said the IFC had taken a 28 per cent stake in the plant, Herlitz a 33 per cent stake, while a group of financial investors had a stake of 29 per cent. HIT, which has already invested \$12m in AO Volga over the past three years, said two-thirds of the mill's annual paper output of \$30,000 tonnes would be exported to European Union countries with the remainder earmarked for the domestic market. AO Volga last year had a turnover of DM425m. Judy Dempsey, Bonn

Portugal turns to gas power

A consortium dominated by Powergen of the UK yesterday began construction of Portugal's first natural gas-fired power plant at Tapada do Outeiro near Oporto. The Es100hn (\$637m) build, operate and transfer project is mainly financed by a syndicate of international and Portuguese banks. Siemens of Germany is to supply the combined-cycle 990MW station with three single-shaft gas turbines due to come on line in March and September 1998 and May 1999. Portugal is to import natural gas from Algeria through the Europe-Maghreb nipe-line, due to be completed in 1996. The plant will also be equipped to burn fuel oil to cover the risk of breaks in gas supplies. Peter Wise, Lisbon

Honest broker seeks Pacific balance

William Dawkins and Guy de Jonquières on a new role for Tokyo in Apec

Percentage of total world trade

Pacific region 18.0 18.5 16.9 15.8 24.8 24.8

interests there.

western export markets, this week tried to perform a new and difficult international trade role: honest broker between the two sides of the Pacific rim - the US and Asia. first two days in the chair at a meeting in Japan of officials of the Asia-Pacific Economic Co-operation forum, a diverse but potentially powerful group of 18 countries that generate half the world's trade and gross domestic product.

Apec's ambition, agreed late last year, is to graduate from a talking shop to a region with no barriers to trade and invest-

Japan's thankless task, as holder of Apec's annually rotating chairmanship, is to get the forum's members to agree the first steps towards turning that free trade plan into action. without upsetting Apec's deli-cate internal balance. The meeting, in the southern

city of Fukuoka, ended vesterday with agreement to start, from today, twin negotiations on free trade plus economic co-operation - meaning financial aid and technical training for Apec's poorer members. Trade and economic co-operation should go together like "two wheels of an automobile." says Mr Ryutaro Hashimoto, Japan's minister for international trade and

The aim of this twin track approach, say Japanese offi-cials, is to bind those Apec members anxious to move fast on free trade, such as the US Trading places: Asia, the Pacific rim and the rest of the world East Asian trade by partner

cautious members of the Association of South-East Asian Nations, which want to let down the barriers slowly. Washington is eager for new

export markets, especially at a time when President Bill Clinton needs to show the US Conabroad. At the same time, developing Asian economies are wary of their industries' ability to face more import Japan's twin approach,

named "Partners for Progress", is reminiscent of the former ropean Community's policy of using regional aid to compensate poorer member states for the damage suffered by their industries from the removal of import barriers in the 1992 internal market pro-

There is a third, subsidiary track in the Apec talks: "facilitation" or the disposal of administrative import barriers

and Australia, together with such as long customs procedures, and streamlining of import certification rules. The aim of the four or five official meetings planned between now and Apec's next summit, in Osaka in November, is to

aketch out a rough liberalisa-tion agenda and timetable. The signs from the Fukuoka meeting are that even such modest aims may be hard to achieve. Progress on free trade will be gradual, while less controversial subjects such as economic co-operation and facilitation will be a little easier to move forward. One constraint will be

Japan's perennial post-war difficulty in taking international leadership, partly due to diffidence, partly muddle. Tokyo's conflicting ministries are as far away from a consensus on how the forum's trade aspirations should turn into reality as are Apec's members. By instinct, the Japanese for-

eign ministry is nearer the US view on Apec, rooted in the dominant ministry view that Japan should become more like a normal western power, yet the Ministry of International Trade and Industry is being

drawn into Asia by Japan's

growing trade and investment

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Japan's divided bureaucrats do, however, agree on one thing in the Apec debate. They should, in Apec as in Japan's own affairs, avoid choosing between the US and Asia. That would split the forum and wreck Japan's influence on both sides of the Pacific. Accordingly, the Japanese government is doing all it can

to avoid giving a clear answer to Malaysian prime minister Mahathir Mohamad's invitation to join the Rast Asian Economic Caucus, a co-operation club excluding the US and other non-Asians. The Keidanren, Japan's economic federation, wants the government to join the caucus, a sign that it may become difficult for

attempt that, they say, would push the forum to breaking point. Tokyo's bureaucrats, masters at conjuring compromises from complex inter-ministry battles, have learned from

their own experience that achieving a consensus in Asia is a

NEWS: INTERNATIONAL

Israel Chemicals sale approved



Israel's parliament yesterday Chemicals, the country's biggest chemicals and fertiliser company, after fierce political debate and opposition from

The sale of a 24.9 per cent stake in the company for \$230.3m, is the government's biggest divestiture to date and will inject fresh momentum into the much delayed privatisation process. It also paves the way for the sale of a further 22 per cent of Israel Chemicals on international capital Israeli soldier hurdles a barricade in pursuit of stone-throwers 🛷 markets, due in May, in

Israel's first global offering of a cent stake, and oil refineries. government owned company. The Knesset finance commit-

from many members that selling the company to Mr Shoul Eisenberg, a businessman with vast interests in Israel, would concentrate too much economic power in the hands of

On Tuesday, Mr Yoram Turbovich, government supervisor of monopolies, gave his go-shead to the sale without imposing any conditions on Mr Eisenberg's Israel Corporation which controls the Zim shipping company, in which with the government has a 48.5 per

Knesset members also voiced concern about employee secuapproved the controversial sale tee voted 10-6 to approve the rity after workers, who lobbied committee v alleged the new management planned a big programme of redundancies.

Economists said yesterday's parliamentary approval was crucial to advancing the privatisation programme in the face of continued political, bureaucratic, worker and management opposition. It also clears the way for the government to move ahead with global public offerings, led by Israel Chemicals, in the wake of the continuing bear domestic stock

appointed lead co-ordinator for the global offering of Israel Chemicals and Wertheim ernment. After the global public offering, the government's stake will be reduced to a 28 per cent "golden share" designed to protect the vast natural resources the company exploits.

Meanwhile, Israel yesterday published figures showing an increase in consumer prices for the month of January of 0.2 per cent, giving an annualised inflation rate of only 24 per cent. The low figures fuelled speculation of a decrease in

cial banks huying into other markets has been that they

Mr Holtzman says the gov-

like Israel Chemicals during

the public offering deterring

institutional investors from

participating in secondary

offerines. He also criticises the

government for only slowly

developing its policy of selling

companies to international investors in the wake of the

Global offerings are now a

ernment overpriced compa

have lost money."

S African GDP

INTERNATIONAL NEWS DIGEST

grows by 2.3%

South Africa

Statistical Service said vesterday a 2.3 per cent rise in real gross domestic product in 1994 reflected widespread growth, following largely agriculture-driven expansion in 1993. It said real GDP rose 6.4 per cent on a seasonally adjusted and annualised basis in the fourth quarter following a revised 4.1 per cent rise in the previous quarter. The rise, which was at the top end of market expectations, resulted in the 23 per cent 1988 90 34 92 93 94 95 expansion for the year, up from earlier unofficial projec-Scores Desirence tions of about 2 per cent. Real

South Africa's Central

GDP rose 1.1 per cent in 1993. The CSS said the rise was driven mainly by manufacturing, with a 2.5 per cent rise, trade with a 2.9 per cent increase and finance at 2.7 per cent. The sectors all grew by less than 0.5 per cent in 1993. The non-agricultural sector rose a seasonally adjusted and

annualised 5 per cent in the fourth quarter of 1994, thanks largely to manufacturing and trade. The sector rose 3.5 per cent in the third quarter. Reuter, Pretoria

UN watchdog urges staff cut

The head of a United Nations watchdog on waste and misman-agement said the UN should cut staff by up to 15 per cent and perhaps slash two agencies to increase efficiency. In an interview with Germany's Stern magazine to be published today, Mr Karl Theodor Paschke, head of the Office of Internal Oversight Services, also said that UN staff who break the law should be prosecuted, instead of merely sacked, as has been the practice until now.

Mr Paschke, a German diplomat who took office last October, said the UN Conference on Trade and Development (Unctad) had been made obsolete by the World Trade Organisation and that the UN Industrial Development Organisation (Unido) was no longer needed. Reuter, Bonn

More Sierra Leone refugees

Sierra Leone's civil war has driven almost 900,000 civilians from their homes, either as internally displaced people or refugees in other west African countries, the World Food Programme said vesterday. In the past 12 months, the number of people taken into seven camps inside Sierra Leone has doubled to 600,000, the UN agency said.

The number of refugees has gone up by a further 20,000 since the rebel Revolutionary United Front in December extended its operations to the north and west as well as the south and east of the country. AFP, Abidjan

Moroccan prices 'to rise 7%'

Inflation in Morocco is set to rise to 7 per cent in 1995 from 5.1 per cent in 1994, mainly because of higher domestic energy prices, the Casablanca-based think-tank CMC said. Drought was likely to lead to negative economic growth in 1995, the organisation said. The government predicted inflation would fall to 4 per cent in 1995 when it presented its annual budget to perliament in November. Reuter, Rabat

Israel privatisation plan set for breakthrough

Restructuring and foreign capital lend impetus to overcome obstacles, writes Julian Ozanne

srael's privatisation programme is on the verge of a breakthrough this year as the government moves to sell off the big companies that have dominated the economy since the foundation of the Jewish state in 1948.

But vested interests, which have delayed the programme ever since it was launched in 1987, remain powerful obstacles. Yesterday's fierce debate in parliament over the sale of Israel Chemicals in the face of job fears was a reminder of the difficulties ahead. Workers, management, gov-

ernment bureaucracy, political patronage and ministerial opposition have all conspired to prevent privatisation of the big companies. The government companies authority charged with implementing pirvatisation has also had to contend with the legal and technical difficulties in commercial restructuring and the government's determination to protect security interests.

The gridlock has spurred Mr Yossi Nitzani, director of the rerument companies authorgovernment companies authority, to say he will resign next month, earlier than expected. The 30 per cent fall of the Tel Aviv Stock Exchange last year after a long bull run also hit the government's preferred method of selling companies by domestic public offerings.

raised a mere \$204m from privatisation, against a \$1.5bn tar-get. Most of this came from the direct sale of a controlling stake in a bank. Nevertheless, the govern-

ment is determined to push ahead with privatisation this year, and has good chances of meeting its new \$1.5bn-\$2bn At least five of the top ten

state companies are already on the auction block for 1995: Israel Chemicals, El Al, the state owned national airline, Bezeg, the telecommunications company, Zim Israel Navigation, a large container shipping company and Housing and Development, a property development company. The government also hopes

to sell contolling stakes in Bank Leumi and Bank Hapoalim, the country's two largest commercial banks. In response to the probler

of the local capital market the government has switched strategy to direct sales and global public offerings and has taken on international investments banks to help. The finance ministry is discussing giving every Israeli on the electoral roll options to buy shares in government-owned companies. Mr Nitzani believes that in spite of the obstacles the government has succeeded in its main atm, restructuring companies and sectors, to increase

competition and efficiency The most important achievements cannot be counted by what companies have been sold and how much money was raised but by the real achievements, improvements and the economic benefits gained from the whole process of bringing commanies to market," he said. "I am ready to be blamed as a failure in terms of numbers but I have refused to sell companies ing those companies will bring

benefits to the economy." Mr Nitzani says the real achievements of the past two years include liberalising the opening it up for competition in the cellular and international traffic market. The government has also removed special concessions held by Dead Sea Works, a subsidiary of Israel Chemical and increased

competition for El AL But even Mr Nitzani is frustrated and announced his resignation. He says: "I have had enough of being bashed for the failure of privatisation." Mr Nitzani's parting gift to the government has been to

list measures that should be taken to ease privatisation Among the most important are concentrating authority over privatisation in fewer hands and reducing political interference once a policy decision to of trade and industry's cam-

Main Isra	ELI PRIVATISAT	10NS 1995	
Company	Method	Dete	Current govt stake
Israel Cherricals	Private sale 24.9% Global offering	Feb 15	51.1%
	22%	2nd optr	
Bezeq	Global offering 25%	Srd qtr	77%
BAI	Domestic offering 15-25% Global offering	2nd qtr	100%
	26-36%	4th qtr	
Housing and Development	Private sale 52-100%	1st qtr	100%
Zim Israel Navigation	Global offering 24%	3rd-4th ctr	48.5%
Israel Shipyards	Private sale 100%	1st qtr	100%

sell a company has been made. "I don't think it is good for politicians to have power to influence the process because Political obstruction and

it invites pressures," he said. interference remains the greatest obstacle. Israeli prime minister Yitzhak Rabin complained last year about ministers who had "fallen in

Sale of the banks has been slow for other reasons. The

love with companies".

Mr Victor Medina, chairman of Israel Chemicals, who plans to resign once the company is privatised, said he is going partly because of the ministry

paign to force the company to re-locate from Tel Aviv to Beersheba, an industrial develop-

tender for a controlling stake in Bank Leumi attracted only one acceptable bidder - Mr Edmond Safra, of the Safra family which already owns banking interests in Israel. "The problem of the banks is

the lack of potential inves-tors," said Mr Zeev Holztman, CEO of Giza Group, a private Israeli investment bank. "The giobal experience of commer-

key to success this year. Both the government and bankers believe the international capital market is ripe for Israeli equity offerings. Foreign investment banks have shown Brothers has already been appointed lead co-ordinator for the international offering of 22

> sale of 25 per cent of Bezeq, worth about \$550m, expected in the third quarter of the year. the first for Israeli state-owned companies and could determine the pace of future privatisation. Also, for the first time Suropean and Japanese investment banks may be involved in underwriting Israeli equity offerings with tranches being sold in Europe and Asia.

per cent of Israel chemicals, due in April. There is intense

competition to underwrite the

Major stresses ministerial unity over Europe By Robert Peston, Political Editor ment's "very clear policy" on mone tary union. The Treasury chief secretary of the 1922 money arry, since it means that molecular the which can unite the Conservative from the committee of Tory backbenchers of the 1922 committee of Tory backbenchers of the 1922 committee of Tory backbenchers of the 1924 committee of Tory backbe

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Marian Comment

dence in the unity of his government by telling the cabinet that there should not be any further public debate on whether sterling should participate in a single currency.

According to senior government advisers, he will stress to this morning's cabinet meeting that all ministers should stick to the govern-

weeks of only partly veiled feuding between senior ministers about whether the UK should participate in a single currency.

He will not, however, point the finger of blame at either the pro-European camp, led by Mr Kenneth Clarke, the chancellor of the exchequer, or those hostile to a single

Welsh secretary.
"His remarks will be addressed to

the cabinet as a whole," said a close colleague of the prime minister. Mr Major's policy is that there is no possibility of sterling joining in a single currency in 1997, which is the earliest possible date for monetary union laid down in the Maastricht government

However, he will not rule out sterling joining a single currency towards the end of the century. His line is that participation must be judged on its economic and constitutional merits at the time. His insistence that no minister

may henceforth depart from the let-

confidence in the government.

Mr Major has also been advised via the chancellor of the exchequer - of the concerns of Mr Eddie George, the governor of the Bank of England, that the public battle over Europe is weakening the pound. Mr George delivered the same message to a meeting on Tuesday night of the

World oil reserves

Percentage share of

If Mr Major is successful in achieving cabinet unity on Europe, he will then direct his own campaigning on monetary union against the European Commission, whose president, Mr Jacques Santer, yesterday made a commitment to try to achieve mon-

etary union on the 1997 timetable. Backbench Tory MPs last night said they were delighted at Mr Major's decision to attempt to restore discipline to the cabinet.

Technological advances.

such as new seismic tech-niques and drilling methods,

are also having an impact on

Dr Chris Fay, chief executive

of Shell UK, recently noted "in

the past five years reserve additions have outpaced pro-

duction", mainly as a result of

improved technology.

Production is likely to rise

further in the next few years,

according to Natwest Wood

Mackenzie, the Edinburgh-

based consultants. It predicts

By John Kempiner and John Murray Brow

process

The Ulster Unionist party stepped up its brinkmanship over the Northern Ireland framework document yester-day, making clear that it would not take part in the first stage of all-party negotiations on the political future of the British-ruled province.

Unionists

warn PM

on talks

The warning was outlined in a letter to UK prime minister Mr John Major shortly after Tuesday's acrimonious meeting between Mr Major and three Ulster Unionist MPs.

But the unionists said they were not closing the door on bilateral talks with the government after publication of the document, which sets out constitutional parameters for peace talks. Release of the dociment is expected next week. Final obstacles were cleared by Sir Patrick Mayhew, UK Northern Ireland secretary. and Mr Dick Spring, Irish deputy prime minister, in Belfast

The two will meet again over the weekend to set the seal on the document and announce a summit between Mr Major and his Irish counterpart. Mr John Bruton. This could take place as early as next Friday, with London the most likely venue.

As the UK cabinet committee on Northern Ireland met last night to bear a report from Sir Patrick, backbenchers played down the chances of the unionists withdrawing

support from the government. "They know that any break with the Tories will mean a break with the union and that their interests are best served by threatening this government," one MP said.

Meanwhile unionist concern that the conference on investment in Ireland in Washington in May will be turned into a political exercise to promote a united Ireland were strongly rebutted yesterday by Mr George Mitchell, US President Bill Clinton's special economic adviser on Northern Ireland.

Speaking in Belfast, the former Senate majority leader, said the US was organising "a business conference not a

political conference".

Defending the administrainvestment in the six border counties of the Irish Republic as well as Northern Ireland, Mr Mitchell said, "necessarily there will be interaction and hopefully indirect benefits to

other areas as well". Ulster Unionists bave expressed concern that by promoting investment in the Republic, the US administration is giving way to nationalists. On the eve of a visit to Washington by senior unionist politicians, Mr Jeffrey Donaldson of the Ulster Unionist party said the conference was being "hijacked by the Irish government".

UK NEWS DIGEST

Government to scrap plan for trust taxation

The British government was yesterday forced to amounce that it is to scrap completely controversial proposals in its finance bill to reform the taxation of trusts.

The proposals, which were initially designed to help simplify complex tax legislation, had sparked powerful protests from a wide spectrum of interest groups. The new legislation was designed to simplify the law with respect to loans between trusts and "settlors" - those who pay loans into, and receive loans from trusts.

If the bill had become law, settlors would have been taxed as if interest had been charged on the loan at the official rate currently 8 per cent.

Opponents of the proposed changes said that while the new code was simpler it introduced a new form of taxation income tax on interest which had never been received. Yesterday, the Inland Revenue said: "The government has decided to reconsider these provisions in the light of concerns expressed about their application."

The finance bill has already come under criticism for bad drafting and Mr Kenneth Clarke, the chancellor of the exchequer, has suggested that next year parts of the legislation may be drawn up by the private sector. Jim Kelly and Kevin Brown

European court boost for medicine companies

Companies trying to find new applications for old medicines may have been given a boost by a preliminary opinion from the advocate-general of the European Court of Justice.

The advice appears to support a UK high court injunction against a UK Department of Health licence to a company, Norgine, which makes generic (unbranded) medicines. In most cases, the court follows the advocate-general's opin-

ion. However, the court's eventual ruling need not be an unequivocal decision in favour of one side or the other. The case was brought against the DoH and Norgine by Scotia, a UK biotechnology company which uses ingredients derived from evening primrose oil to treat a range of conditions such as eczema and breast pain.

Scotia had alleged that the Medicines Control Agency, the branch of the health department that licenses drugs, had "unjustifiably relaxed the conditions for the grant of market-ing authorisation in favour of Norgine".

In 1992, the MCA granted a licence to Norgine to sell a generic version of the products. The licence application was dealt with under an "abridged procedure" which allows a licence to be granted on the basis of published information rather than the detailed research and development records that have normally to be supplied with an application for the

approval of a new drug.

After legal action by Scotia, the high court "suspended the operation of the decision to license", said Mr Philippe Leger, the European Court of Justice's advocate-general.

Mr Leger's formal opinion, issued on February 9 but made public yesterday, is that an application for a licence to sell a generic drug should be accompanied by clinical trials data of a similar standard to that of a completely new drug. This should be the case for 10 years after the launch of the first drug in any EU member state. After 10 years, the rules can be relaxed.

Court backs doctor in qualifications row

Britain's General Medical Council unlawfully demanded higher standards from an overseas-trained doctor wanting to qualify for full registration in the UK than those which applied to doctors trained in Britain, a high court judge ruled

The decision in favour of Dr Balbir Singh Virik, of Swindon, south-west England, is expected to affect thousands of other overseas doctors. The judge ruled that the GMC had applied a higher test to him than that used for domestically-trained practitioners, instead of properly deciding whether or not all the evidence established Dr Virik's competence for full registration under the 1983 Medical Act. PA News

Companies soften on Japanese fleet cars

More than half of UK companies are now prepared to put Japanese cars on their fleets even if they were manufac in Japan or elsewhere outside Europe, an annual study of companies' car policies has found.

Cars built at Japanese-owned plants in Europe - mainly Britain - last year became acceptable on the fleets of 72 per cent of companies, according to the long-established annual survey by the Monks Partnership, which makes use of data

The rapidly fading hostility among UK companies to Japafrom nearly 750 companies. nese cars, once widely seen as a threat to British manufactur-ing industry, will be welcomed by Nissan, Toyota and Honda. Sales of their UK-produced cars have been slower than originally expected and all three companies are making a determined effort to increase their share of the company car mar-

Minister highlights questions over transport policy

People must decide whether they are willing to accept the slow-down in economic growth which would result from curbing investment in transport infrastructure to protect the environment, Mr Brian Mawhinney, UK transport secretary, said

He was speaking to members of the Confederation of British Industry in the first of a series of speeches intended to form the bosis for a wide-ranging public debate of transport issues. Mr Mawhinney called for a debate in December to put an end

to "sterile feuding" over transport questions. "Do economic considerations ... provide us with a persuasive and overriding argument for building more and more infrastructure?" he asked "If so, how much cost to the envi-

The government had to find a balance between three conronment are we willing to sustain? flicting demands on policy: the need for economic growth, protecting the environment and fostering personal freedom.

The UK needed successful businesses and successful businesses. nesses needed good transport infrastructure. "We are in no doubt that an efficient transport system is one of the most vital [requirements] if we are to achieve the doubling of living standards within 25 years to which this government is committed." Charles Batchelor, Transport Correspondent

North Sea oil mature but still gushing

A 25% surge in exploration points to long-term productivity, reports Robert Corzine

The forecast last week that the number of exploration and appraisal wells drilled in the UK sector of the North Sea this year is likely to rise by 25 per cent is the latest evidence that the area still interests the world oil industry.

Although it is a "mature province" in industry talk, over the past year the productivity of the North Sea has defied forecasts and surprised industry experts.

Last year's 25 per cent surge in output to 2.5m barrels a day, combined with a similar rise from the Norwegian sector, undermined efforts by the Organisation of Petroleum Exporting Countries to bolster world oil prices.

The latest forecasts suggest that monthly output will continue to rise, at least through the first quarter. The only question, say industry analysis, is whether the production surge will break the previous monthly record set in 1985 Is the UK continental shelf so prolific that new discoveries

will ensure that reserve esti-

mates will continue to rise and that output is maintained? Government figures show that estimates of reserves in place have climbed steadily since 1980. This is not surprising, according to Dr Bryan Taylor of Ukooa, the offshore

industry's trade association. He says that reserve estimates "grow with time because more appraisal wells are drilled on known discoveries". Recoverable reserves also tend to rise over time as companies

By Peter Marsh

the case of a former UK insur-

ance salesman forced out of

by the self-regulating body for

Mr Victor Tee, former major-

ity owner of the now defunct

Winchester Group, alleges that he was denied natural justice

in an investigation of his com-

pany by Lautro, the insurance

sonal Investment Authority.

Mr Tee's case dates from

1990 when Lautro investigated

the Winchester Group, which

was a "tied agent" selling

insurance on behalf of Norwich

Union, a big insurer. After

investigating alleged infringements of industry rules, Lautro

issued an "intervention notice"

which in effect stopped the

request to have the notice set

was a particularly serious

departure from elementary

Lautro amended its rules in

1991 so that people affected by

fairness and justice".

right to appeal.

have a good case."

unfairly treated.

the UK government.

the insurance industry.

siness after an investigation

25.9% Saudi Arabia Abu Dhebi 1863 82

production characteristics of individual fields.

UK oil reserves

Thousand bestels per day

Recent estimates suggest that about a third of the 55bn barrels of oil equivalent which may be recoverable has been produced. Another quarter is in production, while a further quarter has been discovered but not developed.

At the end of 1993, the UK's proved reserves were 0.5 per cent of the world's total. This may seem too small for the company exploration plans.

intensive development and £150bn (\$232.5bn) in investment has produced one of the world's most extensive off. shore networks of pipelines. platforms and shore support facilities.

Companies with older facilities which have already been paid for have an incentive to extend the life of fields, especially since there are costly abandonment charges when platforms are shut down.

existing infrastructure more effectively. It hopes that a system which ensures "fair access" to pipelines and platforms will encourage the development of the North Sea's many small fields, most of which would be uneconomic to develop individually.

tres and industrial markets. The UK government is working on a new plan to use the

A recent study by Gemini

Britain also has the world's most attractive tax regime to

that annual oil output will rise on Tuesday evening. to a new peak of 2.66m barrels a day in 1997, before slipping back to 2.19m b/d in 2000. But Mr Julian Kennedy, an analyst with the group, suggests 60-70 new fields contain-

ing up to 4bn barrels of oil and 10 trillion cubic feet of gas could be brought forward for development over the next two or three years.

The possibilities of big dis-

coveries in the UK's newest oil province, west of the Shetland islands, could also have an impact on reserve figures.

Consulting, however, identifies cost reduction, a priority for the industry, as one of the key factors in adding to future reserve figures and cash flow. An internal study suggested that even relatively modest cost savings could trigger significant development activity. It concluded that a one-off, 20 per cent cut in operating and development costs would enable the industry to invest in

North Sea fields have the area to have such an influence encourage exploration and proadded advantage of being in a on world oil markets and oil duction, according to the latest politically stable country close survey by PetroConsultants, a new developments worth But more than 20 years Europe's main refining cen-Spending fall eases rate rise fears Salesman takes his

case to

A sharp fall in British retail

spending in January yesterday Strasbourg calmed fears that rising inflation would soon prompt the Government to push up interest rates again. Retail sales volume fell by The European Commission of Human Rights is looking into

0.9 per cent last month compared with December, according to the Central Statistical Office. With spending rising at its slowest rate since 1992 in the latest three months. City of London economists believe retailers will have difficulty passing higher costs and prices in industry on to consumers.

The annual rate of retail price inflation rose as expected from 2.9 to 3.3 per cent last month, in part because discounts in the January sales were smaller than last year. The Treasury said the fall in spending might show that retailers had suffered by cutting prices less and would have trouble making price rises

stick. Mr Hugh Clark, trading policy director of the British Retail Consortium, the retailers' trade association, said: "The absence of consumer confidence, the threat of further interest rate increases, the weak housing market and the political uncertainty are all combining to make consumers reluctant to spend." The underlying inflation rate

- which excludes mortgage interest payments - rose to 2.8 per cent in January from the previous month's 2.5 per cent. The Government's target is for this measure of inflation to be between 1 and 2.5 per cent when this parliament ends in spring 1997.

The signs that inflationary pressure is for now being contained quelled expectations of another early rise in UK base rates in the financial markets. It also helped to calm nerves in the foreign exchange market,

Woodrow win large military

contracts during the second

from its near two-year low against the D-mark.

Yesterday's indicators highlighted the dichotomy between those parts of the economy relying on depressed spending by British consumers and those benefiting from the surge in demand from overseas. Manufacturers, the main beneficiaries of the export

boom, created a net 37,000 new jobs in the last three months of 1994, according to the Department of Employment. This was the biggest quarterly increase for at least 17 years, a period during which factory employ-ment has been falling steadily.

watchdog whose operations are being taken over by the Per-Lord Taylor: giant of Although the inquiry by the commission in Strasbourg is at an early stage, legal experts believe that Mr Tee has a good the construction industry chance of winning his case and winning compensation from

In 1921 a 16-year-old boy with sandy hair, piercing blue eyes and a charismatic manner persuaded a Blackpool bank manager to lend him £400 (\$620) to build two semi-detached homes for his family.

From this small beginning one of the world's largest construction businesses was born - led by Lord Taylor of Hadcompany from trading.

Last year the Court of Appeal dismissed Mr Tee's field, who has died at the age of 90. Taylor Woodrow now has an annual turnover of more than £1bn.

aside. However. fudges The first homes he built in remarked that Lautro's rules Blackpool were planned for his in 1990, which failed to provide parents and uncle, Jack Woodfor an appeal against intervenrow, but were never occupied tion notices, meant Mr Tee was by the family. Such was the shortage of homes after the Lord Justice Hirst, one of the first world war that offers were made by passers-by even judges, said in summing up, "[Lautro's] refusal to grant Mr before the roof was on. The Tee a prompt hearing in order pair were sold for £1,000 each to dispel ... [untrue charges] a 100 per cent profit.

During the next half a century Frank Taylor was to become one of the most influential figures in the British construction industry. Born the son of a fruit seller

intervention notices had a then operating from the front Mr Luke Clements, an expert room of the family home in on European human rights legislation, said: "The appeal Hadfield, Derbyshire, Taylor left school at 13. He was too court seems to have flagged up young to sign cheques when the company was started and was required to take his uncle, an important point of law. Judges don't make these remarks for nothing and as a Jack Woodrow, into partnerresult Mr Tee would seem to ship, Jack Woodrow died in In taking his case to Stras-

Lacking in formal schooling, bourg, Mr Tee is contending Taylor relied on his instincts that Lautro's rules in 1990 and often appeared to regard infringed the European Convention on Human Rights. If business as an exciting adventure. It is a testament to his chahe wins his case, he could risma that he was able to per-

Lord Taylor: built business from modest beginnings suade many of his workforce to

uproot themselves from Blackpool when he moved south in 1930 to start building houses in London, Those who went with him were later richly rewarded, several becoming senior executives of the company. Taylor prized loyalty in staff relationships and business dealing and was intensely loyal to those who he felt had helped him.

world war, providing the foundations for Taylor Woodrow's worldwide civil engineering business. In 1935 the company went public. A year later it was poised to start building homes in the US. In the 1950s Taylor Woodrow became one of the first large UK contractors to seek general construction work overseas. first in west Africa and later in the Middle East, Asia and the Caribbean, allowing it to offset the 1970s decline in UK markets. Some 60 per cent of group turnover was earned overseas by the mid-1970s

director from 1935 when he

A number of British con-

struction companies thrived in the post-war climate of renewal; one of these was Wimpey, a former west London stoeason acquired in 1919 for £3,000 by Sir Godfrey Mitchell, a former Army captain. Sir Godfrey and Lord Taylor

were to become close friends as

well as rivals. Wimpey was

took the company public, until 1979 when, at the age of 74, he became life president. He was also chairman between 1937 and 1974. After he retired as managing director, he continued to have a strong influence on the business, particularly in the US where he had a supervisory role until 1991. As Lord Taylor aged, the

He was group managing

business appeared to outgrow the man whose management style relied heavily on instinct and a paternalistic loyalty to staff. He was better suited to carving out new markets than day-to-day management devoted to holding on to to pre-vious gains. But without his energy and innovation a great company would not have been formed and the British construction industry would have been poorer.

Andrew Taylor



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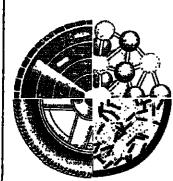
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Worth Watching · Vanessa Houlder



Organic polymers' key to battery power

Organic polymers are attracting interest in the search for lighter, smaller and longer-lasting batteries. They potentially combine high energy-storage capability with low weight and good mechanical strength.

Scientists in Japan have

Scientists in Japan have developed a composite organic cathode that can be used in a rechargeable lithium battery, according to a report in today's Nature magazine. The cathode, based on a mixture of dimercapton and polyaniline, was found to have a higher energy density than the inorganic electrodes in commercially

density than the inorganic electrodes in commercially available lithium batteries.

Tokyo University of Agriculture and Technology: Japan, tel 42383
4719: fax 42384 3804.

Antisense benefit in cancer treatment

Antisense drugs, which use short strands of nucleotides to interfere with the action of certain genes, are showing promise in the treatment of some types of cancer.

treatment of some types of cancer.
Genta, a US biopharmaceutical
company, has reported positive
results from an animal study that
used an antisense drug to combat
drug resistant follicular
lymphoma and colon cancer. The
drug targeted a gene called
BCL-2, which appears to postpone
the death of cancer cells. Genta
plans to begin human clinical
trials in drug resistant follicular
lymphoma patients at the Royal
Marsden hospital, London,
following a toxicology study.

Genta: US, tel 619 455 2700; fax, 619 455 2712.

Seeing how the wind blows

Gauging wind speed on an ocean surface is an important aspect of research into the climatic effects of global warming. But it can be difficult to get an accurate measurement because the vessel distorts the air flow.

Researchers at the James

distorts the air now.

Researchers at the James
Rennell Centre of Ocean
Circulation in the UK found that
calibrating each vessel using
wind tunnel experiments was too
expensive, while using
conventional computational fluid
dynamics to model fluid flows
was too time consuming.

Instead, they have adapted software developed for car engines by Ricardo Consulting Engineers. It cuts sharply the time taken to predict fluid flows around complicated equipment by automatically generating the "meshes" used for the analysis.

By calculating the flow disturbance caused by the ship, the research vessels can accurately assess wind speeds, which helps provide improved models of the interaction between the atmosphere and the ocean. Ricardo: UK, tel (0)1273 455611; fax (0)1273 464124.

Scooter alternative to crutches

Many people with leg injuries find crutches hard to use. A Dorset-based engineer has developed an alternative, an "orthopaedic scooter" for people with lower leg injuries. The scooter has four wheels and a knee-level support on which the patient rests the shin, leaving the hands free for normal use.

nands free for normal use.

By keeping the leg
weight-bearing from the knee up,
the thigh muscles remain in use
and so are prevented from
wasting. The scooter costs £132.

John Reid & Sons: UK. tel (0)1202
483333; fax (0)1202 470103.

Cheaper clean-up of polluted land

Cleaning up contaminated land usually involves removing the affected soil. EA Technology, a Chester-based company, has developed an alternative technique using electro-osmosis, which it believes could provide a simpler, more cost-effective approach to the problem.

The technique involves

The technique involves applying a voltage to electrodes inserted into the ground. The cathode attracts metal ions dissolved in the soil's water, while the anode draws acids. EA Technology: UR, tel (0)151 3394181; fax (0)151 3571581.

If you are one of the estimated am people who bought a personal computer for use at home in the past six months, the chances are high that you have already discovered that something does not work properly.

The characters in the Lion King CD-Rom game you bought for the children move their mouths but do not speak. Your modem is "not responding," the PC screen tells you. Worse, you cannot even get the machine to "boot up".

But where do you turn for help? While the computer industry has finally succeeded in achieving its decade-old dream of creating a high-volume consumer market for PCs, it has yet to live up to consumers' expectations for after-sales service. If this were your office PC, you could probably call upon an in-house or contracted computer support service. Even in small businesses, there is usually a "computer whizz" who knows the ins and outs

of the systems being used.

At home, however, you are on your own when it comes to computer problems. And as PC companies have discovered over the past few months, your first inclination will probably be to call the manufacturer's "customer support" line.

One PC company is now getting more than 100,000 calls a month from frustrated customers. Other

too are overwhelmed.

The PC industry has gone to some lengths to make its products easier to set up and use with improved manuals, on-screen instructions and longer warranties. But it is still not

manufacturers confirm that they

keeping up with the market.

"There are more novice users and we are selling them leading-edge, complex technology," says Ronald Chwang, president of Acer America, the US arm of the Taiwanese PC manufacturer. "The demand for after-sales support is growing rap-

For AST Research, the crunch came in January as people who bought PCs for Christmas started opening the boxes. The calls came in by the hundreds of thousands, says Anthony DeCristofaro manager of AST's Canadian operations. In most cases it is inexperience of the user, rather than some fault in the computer, that causes the problem. Every PC company has its favourite customer support "horror

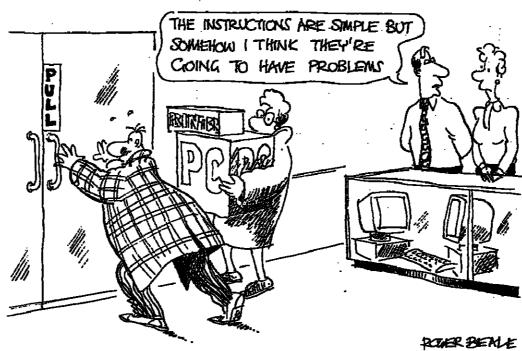
story".

There is the man who mistook the computer "mouse" for a sewing machine-style footpedal, pressing it with his foot in vain. Then there is the woman who packed her computer monitor in ice, convinced that overheating was the cause of the computer's "headache".

computer's "headache".

The demands of novice home computer users have come as a nasty surprise to the PC industry.

"There is a widespread misconcep-



Perils of a cereal packet approach

The PC industry's after-sales service is struggling to keep pace, write Geof Wheelwright and Louise Kehoe

tion that the PC has become a 'commodity' that can be sold like a box of cereal," says DeCristofaro. that users of its popular DeskJet printers may need to retrofit their machines with a free "cleaning kit".

"We in the industry may call this a commodity market, but you cannot say that to somebody who has just spent more than \$2,000 (£1,290) on a PC. It is a major purchase for any home – probably the third most expensive item after the house and

the car."

As the PC becomes a consumer electronics product, users expect and demand after-sales support and warranties that match those traditionally associated with stereos, televisions, washing machines and

For PC manufacturers, however, the challenge of supporting home computer customers is complicated by the fact that most of the problems they encounter relate to software, rather than computer hardware.

Hardware suppliers are not blameless, as has been demonstrated by the "bug" in Intel's Pentium microprocessor chip and Hewlett-Packard's recent amouncement that users of its popular DeskJet Last month Compaq brok

and or the state of the common of the common

printers may need to retrofit their machines with a free "cleaning kit". But software problems are far more numerous. AST calculates that 70 per cent of the calls it receives arise from software problems. "Ultimately, our name is on the box and we get the calls," says. DeCristofaro. PC hardware manufacturers complain that they are carrying the costs of supporting software products. Software suppliers are usually less generous in providing after-sales support than

hardware manufacturers.

Leading PC manufacturers, for example, now offer three-year warranties on their products, while software program guarantees are shortening to just 30-90 days before users start to incur charges

for customer support.

Software companies are getting a "free ride", complains DeCristofaro. "How we divide responsibilities for customer support is going to become a big issue in the PC indus-

Last month Compaq broke with its tradition of liberal free customer support by telling US customers that they must in future pay \$35 "per resolution" of software problems, unless they relate to programs shipped with the PC.

Compaq will advise customers whether they can obtain free support from software companies. Similarly, Dell, IBM, Digital Equipment and AST now charge US customers for help with software problems.

A new approach to PC customer support could help users to minimise the cost of support services. Microsoft announced last week that more than 50 PC and PC software companies will use the "Microsoft Newtork", an online service due to go into operation in August, to provide online customer support and product information.

While this approach may improve customer support, it will not help if your modem does not respond, or the PC does not boot. The PC industry, it seems, still has a lot to learn about pleasing new consumers.

Phones get smart

"Hesh's
prison

phonecard capable of phonecard capable of phonecard capable of phonecard in payphones across Rurope are brightening. Siemens, the Germany electronics giant, has signed a licensing agreement with Philips of the Netherlands through which the Dutch company will become a second-source supplier for the Siemens family of smart cards.

The aim is to establish Siemens family of smart cards.

mens "Eurochip" cards as the European standard. Phone cards incorporating the Slemens chip can already be used either in Germany or the Netherlands; the UK, Austria and Switzerland may soon follow. As a result of the dual sourcing agreement Slemens and Philips will provide chips for Europe, Africa, central and South America, India and Asia. Competitors include SGS Thomson of France.

Signment and Philips have pre-

Siemens and Philips have previously worked together on a national medical insurance chip card project in Germany. Siemens said yesterday that it would be making tens of millions of Eurochips a year from later this year. The principal customers for the Eurochip include GPT, the telecoms equipment manufacturing group, jointly owned by GEC and Siemens, which this week established a new division to exploit the rapidly growing market for

smart cards.

Smart cards are the size of a hank card but contain semiconductor chips capable of storing and processing information.

and processing information.

Along with the launch of the new division, GPT announced it was delivering the first 100,000 high security smart phone cards based on the Siemens chip to British Telecommunications. Existing BT phonecards are based on optical technology. The new cards are based on semiconductory memory. They will be a trail introduction in the spring.

GPT already makes and sells 100m magnetic and smart cards annually with revenues of about 230m. It said the new division, based in new headquarters in Coventry, would make it easier to sell to customers other than those buying GPT payphones.

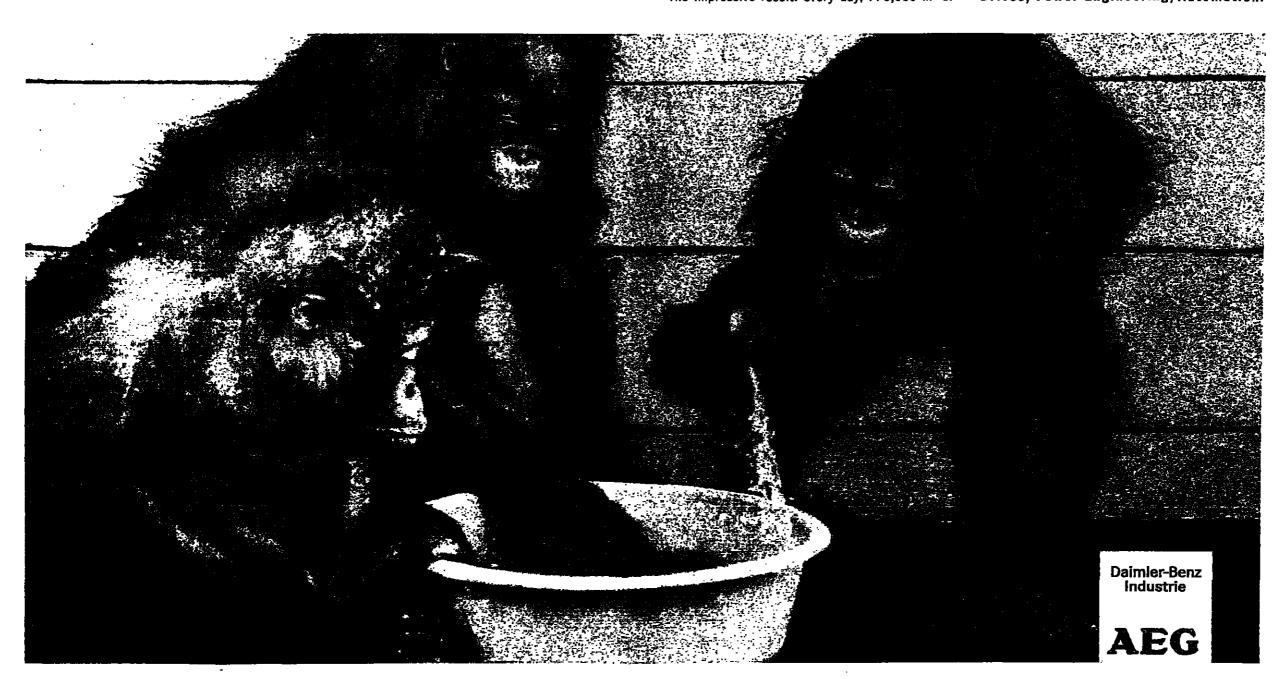
Alan Cane

A Control System For The Purification Of Water Conserves Vital Resources.

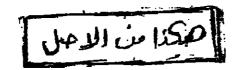
The more living things, the higher the water consumption. And the higher the water pollution. What to do? Our specialists in Automation Technology have developed an effective overall solution for large-scale mechanical and biological sewage treatment plants. This process control and instrumentation system provides controls and monitors the sewage treatment process. The impressive result: every day, 775,000 m³ of

try." adds Chwang.

treated wastewater. This represents approximately 8 million tubs full of water. Competence and creativity make this superior performance possible. And the promise that this will remain so in the future comes from that which is written above AEG: Daimler-Benz Industrie. Our business activities: Rail Systems, Microelectronics, Diesel Drives, Power Engineering, Automation.



ANOTHER DAY, A BETTER WAY



A fresh slice of prison life

THE SHAWSHANK REDEMPTION Frank Darabont

BANDIT QUEEN Shekhar Kapur

RUDYARD KIPLING'S THE JUNGLE BOOK Stephen Sommers

> ANDRE George Miller

CAMILLA Deepa Mehta

HOLY MATRIMONY

Leonard Nimoy

FASTER PUSSYCAT! KILL!
KILL! Russ Meyer

ike westerns and war films, prison movies come laden with a vast amount of cinematic baggage. These days, no director can make a film about life on the inside without referring to all those great jailhouse pictures already shot. Perhaps this is why so few good prison movies have been made recently, why so few filmmakers have been willing to enter the cells that once held Cagney, Lancaster

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and McQueen. It is a testament to the strength of The Showshank Redemption that it looks this dilemma squarely in the eye, boldly embracing just about every stereotype and cliche of the genre and still managing to feel like an original. In it, Tim Robbins portrays a successful young banker who, in 1947, is wrongly accused of murdering his philandering wife and her lover. Sentenced to two consecutive life terms, he suffers at the hands of sadistic guards and rapacious cons until he begins using his financial acumen to beneut all round him. Naturally, he also bides his time until he can attempt

a meticulously planned breakout.

Frank Darabont, working from a novella by Stephen King, boldly serves up just about every available truism of prison cinema. There is a moralistic warden who turns out to be enriching himself on convict labour, a crazy old coot who works in the prison library and a "bull queer" rapist bent on sodomy. Cigareties are currency, rebellious pris-oners are chucked in hellish solitary confinement, the escape route is through the sewer and, to top it off, there is even a con who lovingly nurtures a baby bird.

Despite all these familiar sights, the film proves strangely effective. Darabont is the sort of director who seems most comfortable on welltrodden ground, establishing scenes we have all seen before only to breathe them full of life and pathos. just as Lawrence Kasdan did with the Western in Silverado. He is greatly aided by Robbins, as restrained and enigmatic as ever. But the main acting honours go to Morgan Freeman as the wily old inmate fixer who takes Robbins under his wing. It is testimony to the film's affecting freshness that he makes a character we have seen a hundred times before seem like an entirely new creation.

Shekhar Kapur's powerful Bandit Queen provides far less conventional viewing. While much Indian cinema seems downright allergic to reality, Kapur's biopic of the infa-mous modern-day bandit Phoolan Devi is a hard-hitting true life story that seems subcontinents away

from Bollywood. Devi was arrested in 1983 after becoming a lower caste hero for her defiance of the male-oriented system that had victimised her since she was bartered off as an 11-yearold bride. Kapur's depiction of her horrific early life is unblinking and unsentimental, making for a power-ful indictment of India's institutional misogyny. The director possesses the rare instinct for knowing just when to pull the camera away from scenes of abuse, providing them with considerable power with-

out ever being exploitative. The film arrives here shrouded in controversy, with the actual Devi emplaining that it dishenours her. On the way to that climactic It is hard to see how - Seema Bis-



Brilliantly embracing every prison cliché: Tim Robbins and Morgan Freeman in 'The Shawshank Redemption'

abundantly clear that her crimes spring from her ill-treatment. Even as the screen Devi participates in the massacre of men complicit in her gang rape there is no doubt that our sympathles are meant to rest squarely on her bruised, defiant shoulders. Indeed, the film is weighted too heavily toward establishing the heroine's victim credentials, thereby depriving us of a more fulsome account of how a woman

came to gain and exercise power in

such a hostile system.

A far more benign India is depicted in Rudyard Kipling's The Jungle Book, an enjoyable action version of the work of that great scribe of imperialism. And despite the fact that it comes from Disney, there is not a cartoon or song around. Rather, such fine actors as Sam Neill, John Cleese and Cary Elwes ham it up with great energy and wit on sumptuous locations.

well-trained animals, most notably a gallery of frenetic monkeys and a scene-stealing orangutan. Kids will

love it. Less compelling children's fare is on offer in Andre, the story of a ven year-old girl in 1960s Maine who befriends an orphaned baby seal. Only the least discerning prepubescents will find much of value here – even the antics of the trained seal in the title role grow wearisome, especially when contrasted to Kipling's primates.

Camilla is an ode to bohemianism that is so laid back it is practically unconscious. The late Jessica Tandy, in her final performance, plays a former concert violinist who takes a stage-shy young musician (Bridget Fonda) under her wing in an effort to set the younger woman's romantic and professional life in order. Director Deepa Mehta conjures several fine opportunities for

stuff, yet ultimately fails to sustain the dramatic flow that would allow this to be anything more than an

occasionally engaging curiosity A similar lack of directorial attention afflicts Holy Matrimony, the story of a tearaway carnival performer (Patricia Arquette) who is forced to take refuge in a commu-nity of traditionalist Hutterites after her attempt to rip off her boss goes wrong. Through a bizarre chain of events, she soon finds herself married to a wholly naive 12year-old boy (Joseph Gordon-Lev-

The film's plot is so fraught with opportunities for bad taste and offence that it is a wonder John Waters or Almodovar are not directing. But no, the director is in fact Leonard Nimoy, who has created a bland, shallow film that consistently skirts the sexual and religious mine fields inherent in the

values should offend nobody except people who like good cin-

But not to fear - there's something to offend just about everyone in Russ Meyer's Faster Pussycat! Kill! Kill!, rereleased 30 years after its debut as part of a Meyers retrospective at the NFT. Made on a brastring budget in the California desert, the story involves three murderous go-go dancers who take ref-uge on a desolate farm inhabited by an old pervert and his two sons, Kirk and The Vegetable. Although the plot is risible and the acting Cro-Magnon, the film is brilliantly shot, throbbing with raw energy and skewed humor. It is interesting to note how the critical pendulum has recently swung toward Meyer, whose films were dismissed just a few years ago as soft-porn pulp. God help us, but his vision of big-busted

remorse during the mad-scene. Every action speaks of the Romanticism of the 1840s grandly re-considered for our time. Mukhamedov's pose at curtain-fall, arm raised, holding Giselle's parting gift of a flower, is worth the price of your ticket - here is the heart of the ballet's meaning, a Delacroix dominatrixes, nasty sex and pathetic white males seems hero, a thrilling icon of the theatre. (Iroulcally, the original libretto brought Albrecht's fiancée into the forest at this moment, to lead him back to the real world.

Ballet

Giselle

sensible and well-managed version. The action is unfussed, albeit somewhat over-wooded in John Macfar-

lane's designs, which suggest the local presence of a logging camp

rather than vineyards. There is,

happily, none of that determined mummery from a cast eager to let

us know that they know all-too-ex-

actly why they are there on stage.

The villagers are slightly frisky, as is the way with stage peasantry,

However, like the other 19th cen-

tury balletic survivals, Gisclic lives or dies on its central image of a

ballerina in full cry. Nothing else

will really do, though on Tuesday Irek Mukhamedov showed (yet

again) that a great danseur can

give focus to the piece. The Giselle

of the evening was Viviana

Durante, neat, dutiful, and oddly

remote from the spiritual and tech-

nical possibilities of the part - It

was as if she viewed the ballet as a

museum exhibit.
The sublime Giselles in my time

Markova, Ulanova, Chauvire,

Schanne, Vyrubova, Makarova,

Semenyaka - have lived the trag-

edy in many and varied ways, from

Markova's exquisite lightness and

Makarova's spirituality, to

Schanne's romantic intensity and

Semenyaka's phrasing both acts as

eestatic arcs. Each has understood

that she is the justification for the

performance. Durante underplays

this ballerina-potential, notably in

the second act. Away with polite-

ness: she should dare to claim

tive, so intelligent, that from his

entrance we know the young noble-

man's ardour, and with his first

look at Giselle, understand an infatnation which will fire the trag-

edy. He loves Giselle, and no ges-

ture, no movement is meaningless

in showing this, even his agonies of

ukhamedov comes to

the role of Albrecht as

if destined for it. His

art is so communica-

Giselle as her own.

but under control.

iselle is back in the Royal Ballet repertory for the next few weeks. The stag-ing is Sir Peter Wright's

geois).

Mukhamedov's dancing is beautifully shaped, musical. He is. though, bulkier than heretofore, and his costumes are unbecoming. (The decorative panels on the back make him look round-shouldered and short-necked, which is not the case). An essential complement to his reading is the presence of Step-hen Jefferies as Hilarion. Jefferies is a dance-actor of the same stature as Mukhamedov, and the first act gains much from the tensions they generate.

Later recensions have made roman-

ticism less practical, less bour-

For the rest, the company danced well, though the Courland huntingparty should abandon false beards and moustaches forthwith - we know who they are. Genesia Rosato's Bathilde had a slightly hysterical air, as if she guessed that Some-thing Is Up in the woods. Benazir Hussain's Myrtha was vehement, coarse-grained. Nicola Robert's in the first act sextet produced dancing of the prettiest kind, sweetly nuanced. Sandra Conley a Giselle's mother was touching, and she phrased her narration of the wili legend admirably well.

Clement Crisp

Theatre/Sarah Hemming

A swashbuckling 'Zorro'

Hill died as he was rehearsing his new musical for its first night at Stratford East - but it seems entirely appropriate that the show should go on Zorro - The Musical! bubbles over with Hill's love of the possibilities of theatre, his highly developed sense of the hudicrous and his refreshing sense

From the moment the show opens with an all-singing and swinging fencing class, you realise you are in the hands of someone who loved to see music, lights and action. Hill whisks you back to the world of Saturday morning cinema with the swashbuckling tale of Zorro, the 19th century revolutionary hero and symbol of liberty, whose style and ethics slot in somewhere between Superman and Robin Hood.

Zorro here is really José, a gypsy deported from Madrid for killing a man in a duel. After some skullduggery on the high seas, he fetches up in Los Angeles, a colony of the Spanish empire seething with discontent and intrigue. The governor

t is only three weeks since Ken is plotting, the peons are revolting gags and sparky one-liners - José spots his opportunity, swatnes himself in a black cloak and rides in as Zorro to lead the popular front.

Romance and adventure, left and right, goodies and baddies, what more could you want? Hill tells the tale in a delightful, self-parodying style peppered with pastiche - a pinch of Curmen here, a touch of Don Giovanni there - and revelling in theatrical and cinematic clichés. The spirit of the show is somewhere between Monty Python and Gilbert and Sullivan, but though it is all done tongue-in-cheek, it has just enough seriousness to retain the faint echoes of the great Spanish

The production, co-directed by Hill and Peter Rankin, treads this tricky path beautifully, revelling in the parody without sending the story up so much that it becomes meaningless, and the cast have great energy and charm. There are some excellent fights, some humma ble tunes, a nice hit of smouldering flamenco and plenty of ridiculous

The svelte, moustachioed Bogdan Kominowski pitches his performance nicely as Zorro - sufficiently dashing but with an occasional touch of John Cleese; there is a likeable performance too from Sylvester McCoy as his Sancho Panza-style sidekick, a mournful little clown of a man; while Michael N. Harbour has a rich voice and splen-

his soul to the devil. Unlike José, who quits while he is at the top, the show does not quite know when to stop. Two hours is quite enough swashbuckling and this show runs to nearly three. Some pruning would certainly not go amiss. But it has an irresistible air of mischief: just as the spirit of Zorro rides again at the end, one cannot help feeling that, in this amiable, daft and supremely theatrical show, the spirit of Ken Hill

didly murderous style as the scar-

faced pirate, Laffite, who has sold

Continues at the Theatre Royal, Stratford East (081 534 0310).

Opera/Richard Fairman

Sorochintsy Fair

companies keep hold of the masterpieces, students can do very well picking up the rest. Alongside his two main operas Musorgsky left a selection of other operatic odds and ends, mostly works left in various unfinished states when a fondness for the bottle carried him off prematurely at the age of 42.

Despite financial inducement to finish it off, Sorochintsy Fair was

one of those scores left with blank pages at the end. For once, Rimsky-Korsakov did not choose to fill them on Musorgsky's behalf. It was not until 1912 that the existing music was arranged and orchestrated by Lyadov, then completed first by Cui. then by Tcherepnin and most recently by Shebalin. The history of a score by Musorgsky is invariably more complex than the opera itself. The Royal Schools of Music used Tcherepnin's version for their production, although that leaves a lot unclear to all but a Musorgsky expert. (Looking over the original score. Rimsky-Korsakov noted that

only the middle act was suitable for stage performance, which suggests that Tcherepnin undertook some fairly wholesale composition of his own to produce a fully stageable evening's entertainment.)

What the Royal Schools produced was a lively and confident show. Musorgsky's basic folk-tale, telling how the devil was forced to pawn his red coat, could have done for any number of Russian operas. Rimsky-Korsakov would doubtless have made it a romantic fairy-tale imbued with pantheism; whereas Musorgsky, equally true to type, turns his attention on a drink-sodden husband and his adulterous wife, who manage to get tangled up in the story.

The London Royal Schools' vocal faculty producer was Keith Warner, who decided to underline this strain of social realism. In his version the daughter was in therapy, disturbed by her dysfunctional family (an excessive gloss on a straightforward story). It was a good idea, however. to separate the drudgery of her real life in 1950s Russia from the bril-

liantly colourful alternative world that she reads of in her fairy-tales stylishly designed by Marie-Jeanne The combined schools of the

Royal Academy and the Royal College of Music produced enough good students to go round. The Icelandic baritone Tomas Tomasson sang with impressive ease in the role of the drunken father. Louise Mott was the wife who hounded him with her rolling-pin and Henry Moss her lover, both handled the production's broad comedy with spirit. Fiona MacDonald sounded strained as the daughter who eventually finds happiness with the tenor, skilfully sung by Aled Hall.

With Gennady Rozhdestvensky leading the Royal College of Music Opera Orchestra, there was Russian musical expertise on hand. Musorg-sky himself was rather a rough talent and the strangely imbalanced Sorochintsy Fair typical of his unpolished output. There is little to interest major companies here, so the Royal Schools' students have done us a favour.

WORLD SERVICE

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EUROPEAN CABLE

AND SATELLITE

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

FT Business Moming

European Money Wheel

14.00 of European

Nonstop live coverage until

business and the financial

Financial Times Business

BUSINESS TV

BBC for Europe can be

(463m)

10.00

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Midnight

INTERNATIONAL

AMSTERDAM

CONCERTS Het Concertgebouw Tel: (020) 671

2345 Royal Concertgebouw Orchestra: with sopreno Sylvia McNair. André Previn conducts Debussy, Roussel and Ravel; 8.15 pm; Feb 22, 23 Royal Concertgebouw Orchestra: with soprano Berbara Hendricks. André Previn conducts Harbison, Previn, Barber and Copland; 8.15 pm; Feb 18, 19 (2.15 pm)

OPERA/BALLET Het Muziektheater Tel: (020) 551

 Mazeppa: by Tchalkovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones; 7.30 pm; Feb 21

BERLIN

Deutsche Oper Tel: (030) 341 9249 OPERA/BALLET Das Rheingold: by Wagner.
Conductor Horst Stein, production by Götz Friedrich; 7.30 pm; Feb 16, 19

 Die Meistersinger von N\u00fcmberg: by Wagner. Conducted by Rafael Frühbeck de Burgos, production by Götz Friedrich; 5 pm; Feb 19, 23 En Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 16 Faust: by Gounod. Conducted by

Lawrence Foster/Heinrich Hollreiser/ Jifi Kout, production by Jean-Pierre Ponnelle; 7 pm; Feb 17 Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich; 7 pm; Feb 21 (7.30 pm)

■ LONDON

CONCERTS Barbican Tel: (0171) 638 8891 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Sinfonietta with planist Stephen Kovacevich and soprano Faye Robinson to play Beethoven and Tippett's, 'Symphony No 3'; 7.30 pm; Feb 17

Sorry i Forgot Valentine's Day: if you missed Valentines day, Paul Wynne Griffiths conducts the London Concert Orchestra and planist Sarah Beth Briggs to play another evening of romantic classics; 7.30 pm; Feb 18 Tippett: Visions of Paradise: Sir Colin Davis conducts the London

Symphony Orchestra in a programme that includes a world premiere of Tippett's, The Rose Lake'; 7,30 pm; Feb 19 Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra and violinsit Midori to play Stravinsky, Sibelius and 'Ilpoett's Symphony No. 4'; 7.90 pm; Feb 23

Festival Hall Tet: (0171) 928 8800 Novosibirsk Philharmonic
Orchestra: with pianist Paul Crossley
and bassist Anatoli Safiulin. Amold Katz conducts Prokoflev. Shostakovich and Rachmanlnov; 7.30 om: Feb 20

● The London Philharmonic: Zubin Metha conducts Schubert, Berg and Elgar; 7.30 pm; Feb 23 **GĂLLERIES**

Tate Tel: (0171) 887 8000 Willem de Kooning: a major exhibition featuring over 70 paintings drawn from private and public collections worldwide; from Feb 16 OPERA/BALLET

English National Opera Tel: (0171) 63Ž 8300 ● King Priem: a new production of

Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday, 7.30 pm; Madama Butterfly: Puccini's

opera, originally directed by Graham Vick; 7.30 pm; Feb 16, 22 Rigoletto: Jonathan Miller's undated version of Verdi's opera where the duke is a Mafla boss; 7.30 pm; Feb 18, 23 Royal Opera House Tel: (0171) 340 4000

 Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna. Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 20 La Bohéme: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Marie McLeughlin/ Judith

Howarth as Musetta; 7.30 pm; Feb 16, 21, 23 ● The Prince of the Pagodas: by

Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30 pm; Feb 17, 22 THEATRE

National, Olivier Tel: (0171) 928

 The Merry Wives of Windsor, by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistre Ford; 7.15 pm; Feb 16, 17, 18 (2 pm), 20

Royal Court Tel: (0171) 730 1745/ The Libertine: by Stephen

Jeffreys, directed by Max Stafford-Clark. Cornedy based on the works of the 2nd Earl of Rochester; 7.30 pm; to Feb 18

■ NEW YORK GALLERIES

Guggenhelm Tel: (212) 423 3652 Ross Bleckner: mid-career retrospective of the American artist consisting of approximately 75 paintings and works on paper, from Feb 17 to May 14 OPERA/BALLET

Metropolitan Tel: (212) 362 6000 Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea; 8 pm; Feb 16

 Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 18 (fi.30 pm)

 La Traviata: by Verdi. Produced by Franco Zeffireili, conducted by John Fiore; 8 pm; Feb 17, 22 Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco.; 8 pm; Feb

 Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 18, 20, 23

PARIS CONCERTS Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 Myung-Whun Chung: conducts

the orchestra and choir of the Paris National Opera to play Beethoven; 8 om: Feb 21 GALLERIES Galerie Schmit Tel: (1) 42 60 36 36 From Delacroix to Matisse:

Delacroix, Matisse, Picasso and Degas; to Apr 13 Georges-Pompidou Tel: (1) 42 77 Kurt Schwitters: exhibition of

exhibition including the works of

works by the German Dadalst; to Feb 20 Musée Cemuschi Tel: (1) 45 63 50

 Jegan, Tastes and Tranquility; The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; to May 14 (Not Sun) OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40 King Arthur: music by Purcell. A William Christie and Grahem Vick production; to Feb 19 Opéra Comique Tel: (1) 42 96 12 20

Interact Theatre Company Lakmé: by Delibes. Conducted production. Pat Carroll directs this by Frédéric Chaslin and produced comedy of meny mixups; 7.30 pm; by Gilbert Blin; 7.30 pm; to Feb 18 from Feb 18 to Mar 12 (Not Mon)

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50 La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists Include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 18, 20, 23
■ Lucla di Lammermoon; by Donizetti. A new production by Andrei Serban. Maurizio Benini and

Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30 pm; Feb

■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467

4600 Choral Arts Society of Washington: Norman Scribner conducts Menotti and Williams' 'Dona Nobis Pacem'; 8.30 pm; Feb

Royal Philharmonic Orchestra: Conductor Yuri Temirkanov with pianist Eliso Virsaladze plays Britten Prokofiev and Stravinsky; 3 pm; Feb

OPERA/BALLET

Washington Opera Tel: (202) 416 Vanessa: by Samuel Barber. Director Michael Kahn, conductor

Christopher Keene; 8 pm; Feb 16, 19 (2 pm) THEATRE Folger Theater Tel: (202) 544 7077 Private Lives: by Noel Coward, A Folger Shakespeare Library and

Financial Times Business Toniaht

Russia's real missed opportunity



Talbott, the deputy US secretary of state, coined a catchy Russia when he

REVIEW concluded that needed "less shock and more therapy". But while Mr Talbott's one-liner demonstrated an aptitude for his first career as a journalist, it also revealed a grave lack of judgment in a man who is the second most senior US foreign policymaker.

Mr Talbott's aphorism has become the cri de guerre of a school of analysts who argue that the problem with Russian economic reforms is they have been too radical. In this book, Marshall Goldman, professor of economics at Wellesley College in the US, adds his voice to this chorus

But. like Mr Talbott's, Goldman's conclusion is back to front. Russia's economic transformation has faltered not because market reforms launched in 1992 were too radical, but because they were not radical enough.

Goldman writes: "President Borisl Yeltsin and [Yegor] Gaidar. [architect of the reforms.] and their associates and western advisers can and should be faulted for concentrating so much on monetary, fiscal and root of Russia's current discontent is that Moscow's attempt in January 1992 to duplicate the "big bang" package of monetary, fiscal and price reforms pioneered in Poland was not sustained, and remains incom-

As Mr Gaidar now acknowledges, a critical mistake was the exclusion of energy from the price liberalisation in January 1992. Artificially low energy prices have continued to distort the Russian economy and perpetuate wasteful fuel

A second more significant failure was the Kremlin's inability to resist pressure from the agricultural and industrial lobbies to ease the fiscal squeeze on inefficient producers. Instead, Moscow neutralised its own reforms by turning on the monetary taps and sending a stream of government credits to factories

THE LOST OPPORTUNITY: Why Economic Reforms In Russia Have Not Worked By Marshall Goldman Norton. 304 pages, \$22.50 (£16.95)

and farms. It was this retreat from shock therapy - rather than the reform programme itself ~ which pushed Russia into the spiral of high inflation and declining production that a new government team is struggling to remedy today.

Goldman's contention that Russian reformers should have 'done more to stress privatisation" is equally perverse. though more novel. Even the most critical observers of Russia's uneven economic reforms - including domestic communist and nationalist politicians who argue that the inheritance has been ceded to the CIA and mafia ~ concede Russia's mass privatisation programme is the most ambitious and successful transfer of assets ever

oldman is on firmer ground when he points to the pernicious effects of Rus sia's failure to liberalise its economy and inadequate reforms in agriculture. The absence of liberalisation

was one of the defects that robbed Russia's shock therapy package of its impact. He is right to emphasise that the creation of an effective market is at least as dependent upon allowing new businesses free entry into the economy something Russia has failed to do - as it is upon privatising the inefficient giants of the state sector. Goldman points out that Hungary, Poland and China have more vibrant private sectors than Russia. despite their relatively slow transfer of the former state sector into private hands.

Goldman also observes that, in contrast to Hungary and China, where market reforms began on the farms, or Poland. where agriculture was never privatised, Russian reforms continue to be hobbled by Moscow's failure to restructure agriculture.

Yet, despite these two helpful observations, Goldman's

The Rowntree Founda-tion study of income and Wealth* is a missed opportunity. For the distribution of income and wealth is surely important. It is even more important to know whether the least well-off are improving their lot or falling behind - not in relation to a few envied rich but in their argument suffers from an analytical weakness common to ability in absolute terms to

maintain and improve their

much of the debate about Rus-

sian economic reforms. He

frames his assessment of Rus-

sian reforms as a debate

between gradualism and radi-

calism, losing sight of the

vested economic interests that

play a far bigger role in shap-

ing Russia's economic future.

university classrooms, has

never been about intellectual

debates over the technical mer-

its of various economic poli-

cies. As Russia makes a his-

toric lurch from communism

into something else, the strug-

gle is, rather, between rival

political and economic lobbies.

Each is battling to ensure that,

as the government comes up

with a new way to slice Rus-

sia's economic pie, it is served

the biggest piece.
Russian liberals had hoped

that, by transforming commu-nist apparatchiks into owners

of the assets they had previ-

ously managed, they would

create a strong power base for

market reforms. They were

half right: the new comrade

capitalists are prepared to fight

to the death to protect their new wealth. But Russia's

wealthy new nomenklatura is, quite understandably, just as

interested in preserving those

inefficient government regula-

tions from which it benefits as

and gas lobby, which is emerg-

ing as a quiet enemy of eco-

nomic stabilisation, a policy

that would appear to be in its best interests. The chieftains of

the energy sector have realised

that the price of a reduced bud-

get deficit is an end to the tax

breaks which have made the

oil and gas barons Russia's

richest men, and that is a price

Sadly, Russia has already

missed its best chance to rein

in these vested interests. It

could have done so by imple-

menting a real shock therapy

programme - including liberal-

isation of energy prices and

allowing new businesses free

entry into the market - before

turning most state assets over

into the private ownership of

the nomenklatura. That is Rus-

sia's real lost opportunity.

they are unwilling to pay.

The best example is the oil

it was before.

Kremlin politics, unlike US

standard of living. Unfortunately nearly all the Rowntree data come from snapshots of particular years. Students of the subject have long been aware that such hots are highly misleading. Even when it comes to something relatively simple. such as manual workers' pretax pay, those who have been near the bottom of the income distribution in one year are often near the middle or even

the top half in a later period. More fundamentally, lifetime income varies. Many people have relatively low earnings in the early and later parts of their careers and quite ratio-nally try to earn most in their middle years when family responsibilities are highest.

The authors are very well aware of this complication but consign it to the three last paragraphs of the second, more technical, volume. Here they refer to a model which sug-gests that the poorest 10th have annual incomes which are just more than a fifth of the average but amount to more than half the average on lifetime basis. Even the so-called "degree of inequality" is reduced on a lifetime basis by between a third and a half. Because of the lack of lifetime estimates, Rowntree has been reduced to presenting in agitprop fashion data which have long been available in govern-

ment publications and which I

have used myself in inquests

on "Thatcherism".

That said, it remains disturbing that official surveys show the poorest 10th of the population are worse off compared with 1979, and the second lowest 10th no better off. There are straws in the wind to suggest that not all the apparent absence of "trickle down" can be explained away by life cycle or temporary variations. For instance nearly one half of those drawing means-tested benefits in 1993 had been claiming for more than two vears. More impressive still is common sense observation. It is not good enough for the Department of Social Security to say the survey results apply

only to income before housing

Chrystia Freeland costs. The deduction of accom-

ECONOMIC VIEWPOINT

Redistribution, Yes 'equality', No

By Samuel Brittan

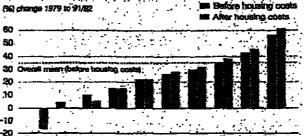
modation was introduced by **Growing UK income dispersal** Changes in real net income

the DSS itself to allow for the fact that in a distorted housing market, income net of housing costs gives a better idea of living standards. It is therefore used by the DSS for means-tested benefits. In chapter three of Rowntree we are told that the central

concern of the report is with failed to benefit from economic growth". If we overlook the unfounded dogmatism of the assertion and dubious size of the percentage, there is a grave problem here which could have been investigated better with out the preoccupation with equality and without the many occur throughout.

The causes of current poverty summarised by Rowntree are by now quite familiar: nolarisation between earner and no-earner families; an increase in benefit-dependent families, such as the unemployed and single parents; and the growing dispersion of incomes from work. The last is an international trend, which has been delayed in countries that have opted for pricing out of work instead. There is the usual emphasis on education and training as remedies. But in the small print, research is cited showing that only about a third to a half of the growing pay dispersion can be explained in terms of education and training. We are taken no further forward in explain-

ing the remainder. Other remedies listed are a rag-bag of the good, bad and ent. The authors seem to have thrown in whatever occurred to members of the committee so long as it pointed to more government spending and was not too market friendly. They did not take the opportunity to go beyond Labour's so-called Social Justice Commission (of which Rowntree is largely a rewrite) by presenting costed options or even an order of priorities.



Income group (tenths of individuals)

detailed reply. What he meant,

of course, was that he was pas-sionately, and rightly, con-

cerned about the life chances

by John Hills, whose work I have respected in the past but

who carried out this study

largely in terms of the "degree

of inequality", as if that were

both an unambiguous concept

and clearly something to be

deplored. The headline on the

should be a goal.

The shortcomings of Rowntree arise largely because of its preoccupation with the chimera of equality - a state of affairs obtainable in the grave, if there. The postwar leader of the Labour left, Aneurin Bevan, did not hold up equality between individuals or households as an ideal. Instead, he asked in his testament, In Place Of Fear. where does power lie in this country and how can it be won by the working class? A perfectly rea sonable question when he

embarked on his career. On the other hand there is a preoccupation with "inequality" among some social scientists and civil servants. When the prime minister said Yes to Tony Blair's question about whether it was the govern-

press release, which set the ment's responsibility to reduce tone for most of the media covinequality, this was no mere erage, was "Widening inequality denies millions a stake in slip of the tongue. For he reasserted it in a longer and more future prosperity". The first The chimera of equality DISTRIBUTION

two of the points summarised in the release are about inequality and the same applies in the glossy popular Wine 1 1

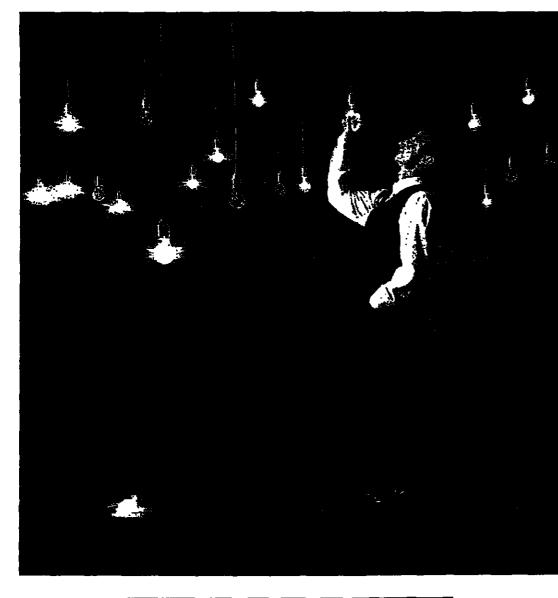
Unfortunately, many of the supposed defenders of market capitalism, such as Howard Davies of the CBL are too fond of playing to the extant left-of-centre establishment to make a real stand. Their constant harping on the threat from a growing number with no stake in future prosperity is, if it means anything, a hint about riots and violent crime. They would do better to appeal to compassion and fellow feeling. which would remain valid even if the threats do not occur.

The absurdity of the equality goal emerges from my table. This shows two hypothetical distributions of an identical total income between three individuals. Inequality is measured in the most basic way by the average dispersion from the mean. The first distribu-tion is very "unequal". The fortunate Alan has well over twice as much as both Ben and Charles. In the second distribution, the degree of "inequality appears to have diminished. The rich Alan has been reduced to much nearer the mean and the scatter is much less. Unfortunately, however, of the least fortunate. But those who briefed him lacked the poorest of the individuals. Charles, is now two points any language in which to lower. And this is without takexpress this concern other ing any account of incentive effects, and assuming that the than that implying equality size of the cake is unchanged. Yet anyone concerned with the nquiries of the Rowntree kind are highly dependent on their technical staff. In least well off, Charles, will prefer the more "unequal" distrithis case, the staff was led

bution in the first column. The Rowntree study uses a more sophisticated statistical measure of inequality known as the Gini coefficient. But any one measure is inherently ambiguous. A country can have the same statistical degree of inequality because the poorest are far below average or because there are high prizes for those at the top. Indeed postwar Germany emerged from one study with the same "degree of inequality" as India, and Scandinavia with more inequality than Puerto Rico or Italy. Any humanitarian should be worried by "inequality" which reflects the hardships at the bottom. Only a practitioner of the politics of envy (and there are many of these) should be worried by "inequality" which reflects high prizes at the top.

*Rountree Foundation. 40 Water End, York Y03 6LP, 19

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

objective is to limit regulation

From Mr Stefano Micossi. Sir, Mr Melville-Ross, director general of the Institute of Directors, expresses concern (Letters, February 14) about the "inappropriate and unacceptable European legislative process" and the "growing consensus among business ... that excessive legislation has been at the root of the Community's vast unemployment". In his desire for less regulation, and better access to the internal market, he is opposed to "further extending the legal competencies of the EUT.

But from whom is this undesirable regulation coming? Not from the Commission, which in 1994 proposed 13 measures concerning industrial products. tion will require the approva of both the European parliament and the Council of Ministers, are based on ensuring access to the internal market limiting regulation to the essential matters of public concern (such as safety of users and consumers), and leaving to industry the responsibility for choosing the technical solutions they want to use.

Perhaps the director general should address his attention to the member states which, in 1994, brought forward no less than 442 proposals for regula-tions affecting products. The British government, with its well-known views on regula-tion, provided its full share of these, with 62 proposals.

My directorate general took steps to prevent this prolifera-tion of national regulations from becoming obstacles to the internal market. We sought changes in 325 cases to make member states of their obligations in this regard.

If he is to represent well the entire spectrum of UK business", the director general should consider who his real friends are. Stefano Micossi. director general,

European Comm Directorate-General III Industry. Rue de la Loi 200. B-1049 Brussels, Belgium

Commission | Too much rhetoric over culture rom W Ming Shao. It reasonably be said that the what films or software Euro-

more similar to Greece than to

the US? Indeed, a common

European culture, were it to

exist, would presumably

favour European producers of so-called "cultural goods" over

for the protection of European culture ("Brussels in new fight to protect European culture". February 9) are long on rhetoric and short on reason.

It is no coincidence that Mrs Edith Cresson, the French Buropean Union commissioner, and other cultural protectionists do not define what culture they seek to protect. European culture cannot be defined in a meaningful enough way to serve as a rational basis for

American producers. As the Commission itself has reported, however, EU consumption patterns do not bear this out. trade policy. For example, can

Even if a distinctive European culture could be identi-fied, it hardly follows that Brussels ought to have a say in | Germany

cross-pollination (spread of democratic ideas, for example) has long played a key role in world development. Allowing governments to restrict what people watch on television or listen to on the radio is not far in principle from the 16th century government practice of controlling printing presses or even censorship.

W Ming Shao, Burgmüllerstr 46, 40235 Düsseldorf,

Goodwill advantage for the UK buyer

From Mr Klaus Diederichs. Sir, When it comes to the issue of goodwill (Lex: "Goodwill accounting", February 13). "flawed" and "noncentical" are difficult words to write off. Your ensuing coverage ("Goodwill a contentious issue", Febmary 14) continues to underestimate the real restraints for

US buyers. While the accounting treatment of goodwill has no direct bearing on the economics of a transaction, it does have a very significant effect on the acquirer's post-acquisition earnings per share, with potentially dramatic economic consequences for its shareholders.

Because management's man-

date to govern is ultimately dependent on its ability to add shareholder value, the arena of mergers and acquisitions is where this mandate is placed under its most intense scrutiny. Consequently, the EPS impact of a transaction is critical and something on which pragmatic equity markets will

In essence, pure economic analysis based on cash flows is superseded by market reality, and the advantage for UK buyers over US buyers is very real. As you intimate, an interesting and subsequent debate is the role of accounting methodology as a determinant of corporate strategy which would

encompass the pitfalls of EPS as a measure of shareholder value. We would strongly endorse any discussion that might align shareholders closer to the true underlying economic consequences of strategic decisions.
The tax-deductibility of good-

will in the US is a complex issue. However, your articles are misleading as the potential net tax benefits to a US acquirer are not immediately **Klans Diederichs** managing director. Morgan Guaranty Trust Company of New York, 60 Victoria Embankment,

Mexican bailout may frighten off private lenders the course of this year, the

From Mr David Lubin. Sir, You may be mistaken to argue ("Mexico's rescue", February 8) that private sector lenders will in the future recklessly extend credit to Mexico because they feel safe in the knowledge that they will be bailed out by the US in case of another crisis. Instead, the reverse may be more true.

If, as expected, the \$50bn "Clinton package" is disbursed in order to finance a capital outflow from Mexico during

composition of Mexico's external debt will have changed vis-ibly, and official creditors (the US, International Monetary Fund, Bank for International Settlements and others) will hold a much greater fraction of Mexico's obligations. Once that happens, some private lenders may prefer to avoid Mexico, since in any future crisis they would have to compete with official creditors for Mexican debt service. As official credi-

tors will have seniority by virtue of being lenders of last resort, private creditors might feel that their claims would be

automatically subordinated. For this reason, Mexico may now face a considerable extra burden to convince future pripolicies will not lead it into another mess. Flat 5.

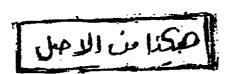
75 Randolph Avenue London W9 1DW, UK

No Millwall fans invaded field during attack As all the press coverage

From Mr R.L Burr. Sir, In your article "Spotlight back on ruffians" (February 11/ 12) you refer to "Chelsea and Millwall fans invading the field to fight each other and attack

clearly shows, police intervention was only required to attempt to prevent the Chelsea fans from attacking the Mill-wall fans and players. Two Miliwall players were in fact | London SE16 3LN TIK

assaulted. No Millwall fans invaded the field at that time. R.L. Burr, chairman, Milkoall Holdings, The Den.



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday February 16 1995

in January seven of the 10 regions

of Great Britain had rates of

unemployment between 8 and 9

per cent; employment in manufac-turing even rose 37,000, on a sea-

sonally adjusted basis, between

September and December. Unfortunately, the expansion of

manufacturing is pushing against

capacity constraints. Underlying earnings in manufacturing are ris-

ing at 5 per cent, as against 3 per

cent in services; prices of mann

facturing output were up 0.9 per

cent in January and 3.4 per cent

over the year, manufacturers are

under pressure (and in a better position) to pass on increases in the prices of their inputs, which

were up 11.5 per cent over the

year to January, and unit labour costs in manufacturing have

Any significant devaluation would add price and demand pres-sures to industries that have quite

enough of both already. Invest-

ment must first pick up, some-

thing of which there is at present

little sign. At the same time, there

is no overheating elsewhere. Con-

struction orders fell more than a

fifth during the last quarter of

1994. Retail sales in January were

only 0.2 per cent up on a year

before. There was no increase in

the retail price index, excluding

mortgage interest, between

December and January, even

though it was up 2.8 per cent over

Since the effects of the recent

interest rate increases and of the

extra taxes due in April are still to

be felt, the best advice is to do

nothing. No policy is certain to

strengthen the exchange rate, in

any case. Policymakers must con-tinue to concentrate on the pros-

pects for inflation, which have not

decisively worsened, and hope

that those who are benefiting from

export-led growth will at last dare

the previous 12 months.

ceased to fall.

Fears over sterling

Sterling in crisis: there is a headline to quicken the pulses of people with long memories. Unfortunately for panic mongers, this is no crisis. There is, in any case, little option for policymakers but to soldier on in the direction they have set for themselves.

Since the end of January, the Bank of England's trade-weighted exchange has depreciated 1.9 per cent, while the rate against the D-Mark has fallen 1.8 per cent, More important, both rates are comfortably within bounds set by experience since sterling's expul-sion from the ERM on September 16 1992. The lowest point since then was 83.9 on the trade-weighted index, as against 87 yesterday, and DM2.33, as against DM2.36 yesterday, both low points having been reached on February 24 1993. Only the hysterical would worry about currency fluctuations of this size. Markets are indeed in a mood to sell starling. But why should that be surprising? Given the visibility of inflationary pres-sures and the political dyspepsia, it would be remarkable if they

A fundamental question is whether a much larger deprecia-tion than the one that has occurred in recent days might undermine the economy's ability to sustain non-inflationary growth. The answer is that it could do so. A dilemma would then emerge, because the economy is like a bath with bot water at one end and cold at the other. Cooling the hot end might make the colder one feel freezing.

The advantages of export-led growth are many. The reduction in the external deficit should, in time, lower the vulnerability of sterling; manufacturing output was up 5 per cent over the year to November, which has helped bring about a more regionally bal-anced pattern of unemployment: export-led grow to invest in it.

Peace in Angola

Two years after the collapse of its last ceasefire, Angola has a second chance. The peace agreement signed by the warring parties in Lusaka last November has held, and the UN is again prepared to monitor its implementation. After 20 years of civil war, Angola is within reach of a lasting settlement and - conceivably southern Africa in sight of stability for the first time in three decades. Provided, that is, both the Angolan government and the opposition Unita movement demonstrate their commitment to peace, and the countries of the region play a more substantial role than in 1992.

Funding the monitoring force, and finding the participants, will be the first hurdle. The UN has many demands on its resources. and the track record in Angola does not inspire confidence. This attempt, however, has a greater chance of success, partly because lessons have been learnt from the past. The UN Security Council's agreement last week on a phased dispatch of a 7,000-strong monitoring force is an implicit acknowledgement of its shared responsibility for the failure in 1992. The UN contingent of 700 was woefully inadequate for the task.

The Security Council has also made clear it will take a tougher line on infringements of the agreement. Last time, the UN failed to insist on the complete disarming

of rival armies and creation of an integrated national force before elections were held. Council members make clear that, should the parties renege on the current peace deal, the UN would with-draw. The Lusaka agreement itself gives further grounds for optimism, since it provides a place in the government and armed forces for Mr Jonas Savimbi's Unita.

There is also a new element in the equation: South Africa itself has become a democracy. The group of southern African countries which formed an alliance against apartheid have been joined by their former adversary. They are playing a new role in the region, and - with armed forces totalling more than 100,000 - they could form one of the largest con-tingents in the UN force.

Angola's rival parties could demonstrate their commitment to peace by helping to pay for it. If the proceeds of more than 400,000 barrels of oil a day and rich diamond fields are turned from war to reconstruction, the peace dividend will be enormous. The government and Unita should be prepared to spend part of this dividend on the monitoring force which is essential to its delivery. If those who have so much at stake in the outcome are prepared to make tangible contributions to the peace process, support from the rest of the world is likely to be

USM to Aim

The London Stock Exchange's enthusiasm for its own Unlisted Securities Market (USM) never appeared to be more than lukewarm. In launching its successor, the Alternative Investment Market known as Aim, the exchange has done well to convey an impression of more serious intent. After extensive discussion with market participants, the new market for smaller companies will have its own separate management and marketing team. Its rules have also been tightened to provide additional reassurance to

investors on regulation. An important feature of the original blueprint for Aim was that the stock exchange was not expected to vet prospectuses. That very considerable relaxation of the rules has survived the consultation process. But the revised proposal now stipulates that companies should appoint nominated advisers approved by the exchange, who will have to satisfy themselves that due diligence has been carried out. The advisers will owe their duty exclusively to the exchange. Surveillance and supervision of trading will be no less rigorous than on the main market. The absence of prospectus vet-

ting means that it will be possible for a company's share to be admitted to the market within 72 hours of the submission of an application with supporting documents. that there will be no restriction on ated.

market capitalisation, length of operating record and the percentage of shares in public hands. Costs will be lower than on the main market and Aim is expected to appeal to a variety of companies, from start-ups to companies originally quoted on the USM, or those quoted on a matched-bargain basis under the stock

exchange's rule 4.2 The stock exchange's new found enthusiasm for smaller companies coincides with the interest shown by the US Nasdaq exchange in the European market Nasdaq, which has been outstandingly successful in attracting fast-growing, hi-tech companies in the US, has been involved in an attempt to set up a new, Europe-wide market for dynamic smaller companies, called Easdaq. The Paris Bourse, another participant in the Easdaq project, has also been considering the case for establishing its own

smaller companies market.

Whether there is room for all these participants remains to be seen. But venture capital has long been a notably weak link in Europe's capital markets. If an earlier opportunity to cash in unquoted investments encourages financiers to increase the supply of funds to dynamic small to medium-sized companies, so much the better. Jobs are Europe's most pressing economic priority; and that is where they are now cre-

became deputy director-general of the BBC seven years ago, he joined an organisation fighting for

The UK's largest broadcaster stood accused by its critics of politi-cal bias, elitism and inefficiency. It also faced growing competition from cable and satellite that many thought would eventually undermine the legitimacy of the licence fee, a flat-rate charge to fund the BBC's activities paid by all house-holds with televisions.

Mr Birt - who became director general in 1992 - launched a programme of radical changes in management and programming to save the organisation. Yet while some of the immediate threats have been removed, the BBC remains in a state of permanent, unfinished revo-lution. It continues to fret over its identity, yesterday publishing an analysis of its role, which described its programmes as too metropolitan

and too middle-class.

Mr Birt's undisputed triumph has been to persuade the government to reserve the licence fee at least for the present. Last summer, ministers agreed to allow it to rise in line with retail prices until 1996.

A crucial weapon in this battle was his success in convincing the politicians that he had improved the BBC's efficiency. Mr Birt says there was serious overcapacity even before the BBC was directed by the government to commission a quarter of programmes from indepen-

dent producers. Cost-cutting has "freed" £180m of resources between 1989 and 1993, according to the BBC. It will save a further £100m in each year up to 1997. According to Mr Birt, programmes now cost about a third less to make per hour than they did in the mid-1980s.

This has been achieved partly through the creation of an internal market inside the organisation, so that the costs of production could be established. Dubbed "producer choice", it required BBC departments to price their services and allowed producers to pick their own crews and facilities from inside or outside the organisation.

The drive for greater efficiency has been controversial among BBC staff. Some producers, particularly in drama, say that producer choice has given them freedom to use cameramen and equipment from outside, and has freed resources for programme-making. But others say the policy is stifling the BBC's creativity through "endless, endless, endless, paperwork" and a torrent of self-examination. One says "every denartment is now a 'cus-- and they are all showering each other with questionnaires asking 'What do you want from us?' ".

Several producers say that where they had previously been unable to hire outside crew, the internal market discourages them from using in-house staff. As a share of BBC overheads is allocated to each employee, outside workers often appear cheaper. "You lose the teams, the cross-fertilisation of

journalism tamer.

s part of a strategy of reducing its dependence on the licence fee, the BBC has stepped up the search for new sources of income from commercial activities.

Last month saw the launch of two new international channels, Prime and World, distributed abroad by cable and satellite. And the RRC has set itself a target of tripling earnings from sales of programmes, books and videos within 15 years. Last year it made £67m profit on £239m sales.

The man behind the BBC's commercial operations is Mr Bob Phillis, deputy director-general. Last month, he told the BBC's first pre-sentation to City analysts that he wanted to "make our assets

The two new channels will carry light entertainment and news, drawn from the BBC's bank of programmes and news-gathering organisation. BBC World will also carry paid advertisements - the After years of reform, the BBC is still looking for direction, says Bronwen Maddox

TV characters in search of a role

Television hours of output, (1000s)

(First transmission, general programmes)

BBC: unfinished revolution

ideas, and you can't put a price on that," one ex-BBC producer says. Others say that the internal market may paradoxically be pushing costs up. One producer comments that when the best crews leave, it can be difficult to rehire them, such is the demand "for these wonderfully trained people". When they are available, they may charge the BBC more than they would have done when on its staff.

Moreover, the internal market's pricing may be leading the BBC to contract out the wrong programmes to independent producers, some suggest. The 25 per cent quota to be produced by independents is measured in hours, encouraging the commissioning of studio-based. long-running series from outside, such as Kilroy and Question Time. This allows them to satisfy the quota cheaply, preserving budgets as much as possible for the pronmes they want to make inter nally. This leaves the BBC with what one producer describes as the "cottage industry", the shorter, more expensive programmes.

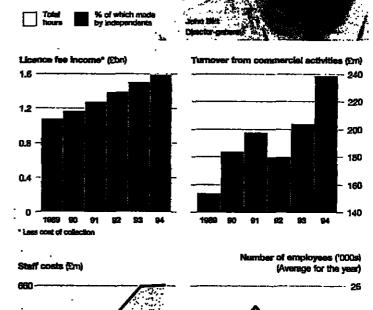
There is even more dispute about the virtues of the changes Mr Birt has introduced on the programming side. He declared that the role of a public service broadcaster such as the BBC was to stick to the "Hima layan peaks" of television. It should produce "distinctive" programmes that commercial broadcasters were

Those aims were most clearly articulated in news and current affairs. Mr Birt had previously attacked trivialisation of news reporting in the UK media and called for more analysis and context in reporting.

Some of the reforms Mr Birt promised are evident. Television now has a large network of permanent foreign correspondents, while radio has a continuous news channel. But many inside and outside the BBC argue that the "mission to explain" never convincingly made it to the screen. New documentary TV series such

as Here and Now are deliberately populist. Established programmes such as Panorama, the flagship documentary, are said to be under pr sure to improve their ratings. More seriously, critics argue that because of the degree of central

direction now imposed in RBC news and current affairs, Mr Birt's political caution has made the BBC's According to Mr William Stewart,



only time you can see serious journalism, but it is a sort of surface attempt to pretend there is a debate, without upsetting the applecart. I would be surprised to see a programme on the BBC as tough as producer, says: "Some journalists

a leading independent producer: Death on the Rock [Thames Televi-"Sunday lunchtime is almost the sion's award-winning ITV documentary on the killing of three IRA members in Gibraltarl." Mr Roger Bolton, who was editor of Death on the Rock while at have found him cautious in his assessment of what you can do as a state broadcaster." Even in drama, critics discern an unsure touch in reaching for "dis-

have found that, if programmes are

weil sourced, John can be a coura-

geous broadcaster. But where the

issues are politically sensitive they

tinctiveness". According to one former producer, the BBC is still struggling with "the same philosophical problems it has always faced: how to steer a course between populist entertainment and something that is identifiably different". In radio, more than in television

the changes which Mr Birt planned appear to have maintained momentum. But they have not yet been demonstrably successful. Radio One, the popular music channel, has lost 5.5m listeners in the past two years, a third of its audience, following a change of presenters and the inclusion of a higher proportion of talk.

As the BBC's 1994 annual report puts it: "Whilst welcoming the more distinctive music policy and the leavening of witty, intelligent speech, we recognise that the change has been accompanied by a significant loss of audience share."

ome of those who argue that the programming changes have fallen short of Mr Birt's original hopes suggest that he saw no need to persist once the licence fee was secured. However, Mr Birt's public censure of aggressive interviewing techniques last week was widely interpreted by others as a sign of continuing political caution. In the view of Mr Michael Grade chief executive of Channel 4: "He doesn't want to take any chances he knows that the status quo of the licence fee doesn't sit well with right-wing MPs."

Instead, the loss of momentum in editorial and management reform appears to derive simply from the way that changes have proved unworkable, resented by the staff and unpopular with audiences. "Counter-revolution is too strong. says one independent producer, "but there are a lot of people in Television Centre who now don't pay much attention to the things they were being told to do five years ago.'

Where, then, have the Birtian reforms left the BBC? Financially, it is better placed, although Mr Birt points out that the scope for efficiency gains is coming to an end. The licence fee is saved for the pres ent, though its future will be repeatedly questioned as the BBC's audience is eroded by cable and satellite. Mr Birt's greatest critics credit him with the "will and vision" of that achievement.

But editorially, the BBC remains confused. It has tried to derive its helped by consultants' analyses. It is unsurprising, then, that it is still wrestling to define its role. As Mr Bolton puts it: "John Birt's been there since 1937 - what he has to explain is why the BBC is still not fixed, if it was as broke as he said it

Pitfalls of commercialism

first BBC service ever to do so in Europe. Part of the start-up fund-ing will come from Pearson, the media group which owns the Financial Times and is the BBC's partner in the new international ventures. There is however, scenticism in the industry about the prospects BBC's World Service Television, the new channels' forerunner, lost £5m last year. Mr Paul Vesey, head of the over-

seas operations of Cable News Net-work, the world's most successful English-language news channel, predicts losses: "Everyone loses money starting up, without fail." Mr David Gordon, who is step-ping down as chief executive of

Independent Television News, the UK-based news service, also questions the news channel's long-term prospects. He argues that the inter-

national market for news in English is small: "Apart from mov-ies and sport, the idea that programmes can be globalised is one of the great nonsenses of our time". Others see the traditional BBC culture as an impediment to com-mercial agility. Mr Michael Grade, chief executive of Channel 4, argues that "the idea that the BBC's committees and taskforces can compete with Rupert Murdoch

Mr Phillis says that "we never pretended [the channels] would be profitable from day one". He says the BBC's share of losses will be paid out of the profits of other businesses such as programme sales. "We can self-fund for several years", he says. Rivals complain, however, that

these commercial activities are in effect subsidised by the public service core, because the programmes which it is packaging for the new channels were originally funded from the licence fee. ITN is now considering whether to raise the matter as an unfair trade practice with the Office of Fair Trading. The BBC's response is that all

commercial activities will be sepa-

rated from its UK broadcasting by a "ring fence". Its commercial arm will pay the public service core a "full and fair market price" for the rights to programme Rivals are sceptical that these prices will meet such criteria. They

point out, too, that if the comme cial arm were charged the full price. it would need considerable borrowing powers.

Competitors also suggest that, in drawing attention to the issue of cross-subsidisation, the BBC may unwittingly have jeopardised its

right to resell its own programmes. Last week the Institute for Public Policy Research, a left-of-centre think tank, recommended that the BBC's commercial activities should be made so separate that other companies could bid for the rights to BBC programmes.

BBC executives appear to lose little sleep over the risk of a successful challenge on grounds of alleged unfair trading. Mr Birt says: "I would encourage our competitors to focus on their own business opportunities rather than snapping at our heels."

He adds that the government and the Labour party are happy with the financing structure, although the BBC has no guarantee that, if commercial revenues rise, it will not find the licence fee trimmed by a corresponding amount. But the IPPR report does highlight the risk facing the BBC: that in venturing further into the com-

OBSERVER

Plodding in sunshine

Time was when a posting to Bermuda was a plum retirement job. But Colin Coxall, assistant commissioner of the City of London Police, and Michael Mylod, deputy chief constable of Hampshire, may regret their new assignments.

Coxall is taking over from Lenny Edwards, the retiring chief of police. Unlike Edwards, Coxall is not a Bermudan; nor is his new deputy, Mylod. The passing over of Bermuda's finest has caused an uproar, Frederick Wade, leader of Bermuda's opposition, flew to London last week to protest.

Given that Bermuda is stuffed full of expatriates, the row over the arrival of a couple more seems a mite excessive. But it's the sort of gesture which could just tip local opinion in favour of independence.

Sir John Swan, Bermuda's prime minister, has just published a less than neutral green paper on the independence issue. Who knows, Lord Waddington, Bermuda's governor, may be out of a job sooner than Chris Patten, his old Tory chum, who has only 833 days to so running Hong Koog.

It's popped up Relief all round at the London School of Economics, as well as red faces spared at the office of

President Thomas Klestil, the Austrian head of state. A missing bronze bust of Sir Karl Popper, teacher and philosopher, which was supposed to be unveiled by Klestil last week, has been found. To all-round embarrassment the Waterhouse.

bust went missing in a courier's pouch somewhere between Vienna and London. So a plaster replica Klestil nevertheless delivered a glowing eulogy to the refugee from

national socialism. He even quoted the FT's obituary: "Like most British intellectuals of his generation, he was born in Vienna. Klestil also expressed the hope that "this material representation will stimulate a constant awareness of the timelessness of Karl Popper's

thought". Now the real bronze bust has been found - incorrectly delivered to the British post office it appears - Popper's memory might even outlast a few more generations of students.

But who gets the £2,000 reward offered by the Austrian embassy? Surely not the Royal Mail?

Asian largesse ■ The Hong Kong government has so much money it could sholish income tax for the next four years, or give each baby born in 1995

\$180,000, according to Price Waterhouse. The accountants reckon that the colony has approximately \$12.6hn

more in reserves than it needs to meet Hong Kong's obligations to China in 1997. So financial secretary Hamish Macleod "could make his mark in Hong Kong history by giving it away", say Price

Other possible alternatives are: naving a bonus of \$16,000 to every person over 60; giving each couple getting married in the next year a \$250,000 wedding present; or abolishing corporate taxes for two

So what will MacLeod do in his annual budget speech on March 1? According to Price Waterhouse. none of those things. Shame on

Ulan Bator's hump ■ Privatisation isn't all that it's cracked up to be, especially if

vou're a Mongolian camel. It seems a third of Mongolia's camels have been butchered for quick cash since the privatisation of the country's agricultural collectives in the 1990s.

"As the collectives have been privatised in the 1990s, the animals were distributed indiscriminately to those who knew nothing about livestock as well as skilled herders. says the country's ministry of food and agriculture, in an article in the newspaper Ardiin Erkh. About 225,000 two-humped

Bactrian camels have been killed since 1990, leaving an overall herd size of 366,100 at the end of 1994.

Back in 1954 the figure was almost 900,000. No wonder they don't smile much.

Split intuition ■ Lawyers don't necessarily bave the highest opinion of bankers, and

probably vice versa. But what happens when they coexist in the same body? Seems like the lawyer has the last word, at least if Martin Peltzer, speaking at a Frankfurt conference on corporate governance, is anything to go by. Peltzer has experience of both banking and the law; he once worked with Deutsche Bank's legendary Hermann Josef Abs. "Making money is not a question of intelligence – it's a question of intuition." said Peltzer. Abs

obviously taught him a thing or

Saddle up

■ A cowgirl's best friend might be her horse, but maybe Americans are taking sharing a little too far. Horse shampoo is now available on drugstore shelves, alongside the human version. "Mane'n Tail and Body" shampoo promises a "down to the skin" cleansing and conditioning.

It has a not unpleasant fruity fragrance. The directions say: "Add once (sic) ounce per gallon of warm water into a bucket." Presumably horses aren't too hot on spelling.

Financial Time

mercial arena it could lose more

100 years ago

House of Commons There is likely to be a heated debate in the next few days on the telephone question. Certain gentlemen have desired that the Postmaster-General should. before signing the new contract with the Telephone Companies, give the House an opportunity of discussing the matter. in consequence of the strong pressure brought to bear upon him by supporters of the Government, Mr Morley (the Postmaster-General] has agreed to defer signing the contract for 14 days, intimating that in the meantime the opportunity for a debate might arise.

50 years ago

Molson's Brewery (Canada) offer The movement quoted in recent months to convert private concerns into public companies received fresh impetus this week by the announcement that Molson's Brewery will make available to the public one-fifth of its outstanding capital of 750,000 shares of no par value. The business was founded in 1786, and the entire capital has been held by the Molson family.



FINANCIAL TIMES

Thursday February 16 1995



Share price slips amid uncertainties caused by case

Microsoft hits back at judge's antitrust ruling

Microsoft hit back yesterday at a federal judge's surprise rejection of its proposed antitrust settlement with the US Justice Depart-

The company claimed the judge had "overstepped his authority", and said it "respectfully but strenuously disagrees with the court's approach". In a written opinion on Tues-

day, Judge Stanley Sporkin said he could not approve the antitrust settlement on several grounds, particularly its narrow terms and the Justice Department's refusal to reveal to the court information about its investigation of the company. Uncertainties created by the

case hit Microsoft's stock yesterday. Its share price was down \$2% in heavy early trading at

THE 15 BEST-KNOWN

BRANDS IN CHINA

China survey

on television, with 64 per cent

saving this was a regular pastime. Next was going to the mov-

ies (60 per cent) followed by

playing cards (58 per cent), read-

ing books (50 per cent) and

playing music (49 per cent).

Asked what they planned to

buy over the next two years, 32

per cent of households said col-

Gallup China Survey. The Gal-

lup Organisation, 47 Hulfish

Continued from Page 1

Japar US

Hitachi

Coca-Cola Panasonic Toshiba \$59%, but it recovered to trade at 61% in midsession.

The legal moves also raised doubts about Microsoft's planned \$1.5bn acquisition of Intuit, publisher of Quicken, the popular personal finance accounting program. Intuit's share price fell \$3% to trade at \$65% in mid-session, down from Tuesday's close of \$68%, on speculation that the Justice Department may halt the acquisition in the wake of the judge's criticism of its handling of the antitrust case.

The proposed settlement would have forced Microsoft to change the terms of software licensing agreements it makes with personal computer manufacturers for use of the MS-Dos and Windows PC operating system programs. It did not, however, address broader concerns about whether Microsoft has used its

By Richard Gourlay in London

The London Stock Exchange

yesterday announced details of a

new Alternative Investment Mar-

ket designed to help young and

The exchange hopes the mar-

growing companies raise capital.

ket will increase the flow of

equity to small dynamic compa-nies whose access to equity or

The new market will replace

the Unlisted Securities Market

and is modelled closely on the

successful Nasdaq market in the US which attracts high-growth

The progress of Aim will be closely watched by the European

Association of Securities Dealers,

an organisation set up last year to launch a European equivalent

The Bourse de France, one of

the partners in the dealers' asso-

ciation initiative, also has a sepa-

rate plan for a new market for

small companies if the nan-

European Nasdaq fails to get off

The Aim market, which should

begin trading on June 19, will be

quite highly regulated. Compa-

nominate permanent advisers

of Nasdaq later this year.

venture capital is limited.

companies.

London forms small

companies market

tem market to gain unfair advantage in other sectors of the soft-

vare business. Microsoft, the world's largest software company, is renowned for its tough tactics. However, Mr Bill Gates, its co-founder and chairman, has denied the company has broken any laws. Microsoft charged that Judge Sporkin, rather than simply assessing the merits of the settlement to determine whether it was in the public interest, had raised concerns about broader allegations of anti-competitive

practices by Microsoft.
His ruling means the Justice Department must now decide whether to take its antitrust charges to trial or try to amend the settlement to make it more ptable to the judge. It may also be possible to appeal.

and brokers and will need to

notify the Exchange of market-

Mr Michael Lawrence, the

Stock Exchange chief executive, said the new market would have

a strong regional presence in the

UK, helping companies raise cap-

The Stock Exchange's original

plan last year suggested the replacement USM should be

lightly regulated. It was strongly

criticised as unlikely to attract

large numbers of private or insti-

tutional investors. But the new

plan has been welcomed by

stockbrokers and some investors

While the Stock Exchange is

beginning a marketing campaign to promote Aim, the Inland Reve-

nue has yet to fill in one crucial

piece of the jigsaw which could

greatly increase liquidity in

Ministers and the Revenue are

expected to decide soon whether

Aim companies qualify as unquoted companies". If they do

investors would receive capital

gains tax rollover relief and

Lex Comment, Page 22

shares traded on Aim.

inheritance tax relief.

as an imaginative initiative.

ital from local investors.

Back on the hook, Page 5

Germany's boards questioned

In an unusually outspoken comment on the role of banks in Germany's two-tier board system. Mrs Ellen Schneider-Lenné, a director of Deutsche Bank, said the chairmen of supervisory boards needed experience of industrial markets and not just

"Industrialists tend to be better

Mrs Schneider-Lenné, speaking at a conference on the German board system, said any reduction in non-executive mandates

"If you adopt the lawnmower ships and its directors were cut-

boards creating more work, we shall see an erosion in the number of mandates we accept," she

the bank hold nearly 100 supervisory board positions. The figure below board level are included As well as its role at Metallgesellschaft, Deutsche Bank is involved with Klöckner-Humboldt-Deutz, the ailing diesel engine and industrial equipment manufacturer which is undergoing a capital restructuring. Mr Michael Endres, another director of the bank, is head of KHD's supervisory board, a post he took over from Mr Hilmar Kopper, Deutsche Bank's chairman, in January. Mrs Schneider-Lenné said these were crisis situations where a continued Deutsche Bank presence as head of the supervisory board was necessary

Role of bankers on

German bankers should stop taking on chairmanships of company supervisory boards, a director of the country's biggest bank said yesterday, deepening the controversial debate about such boards' effectiveness.

financial expertise.

qualified because of their experience. The job has changed in depth," she added.

The structure and competence of supervisory boards, which appoint top management and vote on important corporate decisions, has recently been called into question as several leading companies have run into trouble. Some politicians have also said the number of supervisory board mandates a person can hold should be reduced from the present 10.

The near collapse of Metallgesellschaft, the industrial and trading company, a year ago helped renew the focus on this issna Mr Ronaldo Schmitz, a director of Deutsche Bank, heads the company's supervisory board and was involved in the controversial operation - criticised by some former executives and economists - to wind up its loss-making US oil futures contracts.

should be voluntary.

approach, you will lose some ter-rific people," she said. Deutsche Bank was no longer taking on new supervisory board chairmanting down on non-executive

With individual supervisory Management board directors of

LEX COLUMN

Microsoft's hard times

Like AT&T and IBM before it. Microsoft has become so powerful that pressure to cut it down to size is mounting. Judge Stanley Sporkin's decision that last year's antitrust settlement between the software group and the Justice Department was too soft is the most determined attempt to do so. One may argue that the settle-ment followed a thorough investigation, while Judge Sporkin knows little about the software industry. But much the same could have been said for Judge Harold Greene when he took over the AT&T case in the early 1980s; that did not stop the telecoms giant being broken into eight pieces.

Much now depends on the wider political context. Ms Anne Bingaman, the assistant attorney-general who cut the deal with Microsoft, is hardly likely to change her tune much. But she has bosses, and Microsoft has enemies who are lobbying for tough action. The main risk for Microsoft is that antitrust action is broadened. Last year's deal attempted to stop the company unfairly maintaining its near-monopoly on operating systems for personal computers. But there are also concerns that Microsoft is using that monopoly to dominate the market for applications software. In particular, there are fears that it may monopolise electronic banking by its proposed \$1.5bn Intuit acquisition and dominate on-line systems by packag-ing Microsoft Network with its Windows operating systems. Even if the extreme option of breaking Microsoft up looks unlikely, determined trust-busters could get quite nasty.

US economy

The US financial markets' rally yesterday was hardly surprising, but may have been overdone. Hopes of a soft economic landing were substantially heightened by a string of statistics demonstrating a more subdued econ-omy. The inflation figures showed some cause for concern, with a 2.9 per cent rise in consumer prices over the past year, but inflation was always going to lag the Federal Reserve's turning of the monetary screws. Mean-while, retail spending looks positively lacklustre and industrial production growth has slowed abruptly from the

This is all being used to support the theory that economic acceleration late last year reflected a sharp but short-term build-up in inventory. By extension, some argue that the Fed has already succeeded in dousing the FT-SE Eurotrack 200: 1394.1 (-0.4) Share prior relative to the SSF Composite kidest

inflationary fires, and that interest rates may already have peaked. Certainly, the Fed pointed yesterday to a widespread slowing in industrial production growth, particularly for consumer goods. Nonetheless, capacity utilisation edged higher at 85.5 per cent, and is standing at the highest level since October 1979. This demonstrates the risk facing the Fed. The absence of manufacturing slack, compounded by a sharp decline in unemployment over the past two years, sug-gests that failure to restrain demand will rapidly lead to an upward spiral in prices. One set of industrial production figures does not denote a trend,

Glaxo/Wellcome

Wellcome's response document clearly gave the market food for thought. After yesterday's rise, Wellcome shares are now trading at a small premium to Glaxo's offer price, once Glaxo's interim dividend is stripped out. That suggests investors believe the chances of a counter-bid have improved.

and a further tightening remains

likely to counter the inflationary peril.

Certainly, Wellcome looks attractive. The sales projections for its four biggest products look credible, and indicate the group should not excessively suffer from the US patent expiry of Zovirax, its largest product. The promise that margins should remain within the 28 per cent to 32 per cent range is also appealing. This is good fighting stuff, although the gloss is somewhat tarnished by Wellcome's indication that non-prescription Zovirax will not gain a US licence before 1998. But Wellcome's promising sales

prospects do not necessarily mean Glaxo has undervalued the group. Wellcome argues the offer is low, given the bid premiums and earnings multiples achieved during three large deals in the sector last year. However, such comparisons are nonsense: Syn-tex's earnings had collapsed following the patent expiry of its biggest prod-uct. Chirch is a biotechnology group valued on a completely different basis; and a significant proportion of American Cyanamid's sales came from agro-chemicals. In any case, such methods of valuation are irrelevant. The mar-ket will determine if Glazo has undervalued Wellcome: if its advisers fail to find a counter-offer, then Glazo's price will have been fair.

The decline of sterling against the D-Mark reflects the strength of the German currency as much as the akness of the pound. The D-Mark's traditional status as Europe's safe haven is enhanced by the prospect of higher short-term rates within the next six months. Add in a faster-than-expected German recovery and it is not surprising that soft European currencies, including sterling, are soften-ing further.

That is not to deny that sterling has its problems, despite the growing anti-inflation credibility of the UK's monetary authorities and the lack of current account concerns. Investors are worried about the impact of political weakness on the current government's fiscal and monetary policy. They are also getting tittery about the likeli-hood of political change by 1997. Such uncertainties come at a time when inflation is ticking upwards while consumer demand is slowing, as yesterday's economic statistics show. In time, this may evolve into an acute policy dilemma, intensified by politics. But that point has not yet been reached. The inflationary impetus caused by sterling's weakness is not as great as the near 8 per cent slippage against the D-Mark since last January suggests. Sterling's fall is less than 5 per cent on a trade-weighted basis and the currency has in fact appreciated against the dollar. The fall against the D-Mark should give a non-inflationary fillip to the UK's export-driven recovery. Even if sterling's rise yesterday proves short-lived, this is no cause for

Additional Lex on small companies

7.3 izer 20

Mexican peso sinks amid fears over crisis

Continued from Page 1

08542, US. Free.

fact that the fall of the peso has shrunk the value of the assets of many Mexican companies when denominated in US dollars. Since most international loans are dollar-denominated, banks fear the decline in dollar asset values could lead some borrowers to break loan agreements.

Investors are also concerned

that two promised financings - a \$3bn credit line from international banks and \$2.25bn from foreign investment banks - were running into the sand. According to one broker: "If the banks fail to join these financings, it suggests they believe Mexico is not a going concern."

Worries about a lack of credibility in the government's economic programme and delays in negotiating the conditions attached to a \$20hn loan package with the US Treasury added to the fears. The unease was reinforced by an unenthusiastic response to a weekly auction of Cetes, short-term government paper denominated in pesos. The benchmark interest rate on 28day Cetes rose nearly 5 percentage points from last week's auction to 40 per cent.

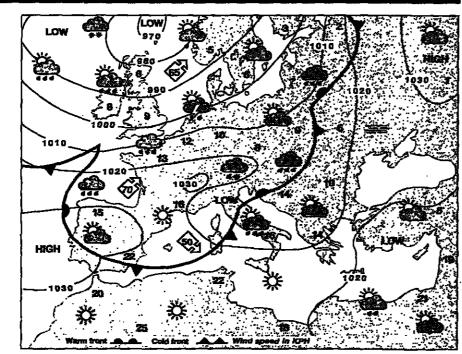
FT WEATHER GUIDE

Europe today

Active low pressure over the Norwegian Sea will draw mild and unsettled air into most of Europe. However, the Benelux, Germany and France will have sunny spells with scattered showers. An Atlantic disturbance will bring cloud, rain and strong winds to the southern UK and, in the afternoon and evening, to the Benefux and France. The northern UK and southern Scandinavia will have showers, some of them wintry. Spain and Portugal will remain dry with plenty of sun. The Alps and tormer Yugoslavla will have outbreaks of rain and snow above 1,000-1,500 metres. Italy will have thundery showers but Greece and

Five-day forecast

Most of western and central Europe will continue unsettled and mild. High pre on Sunday may bring a short period of drier conditions to central Europe. Southern Europe will have plenty of sun and temperatures between 13C and 22C. The eastern Mediterranean will become cooler and unsettled from Sunday.



Our service starts long before take-off-

Lufthansa

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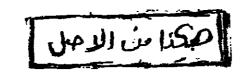
Without us, the new Saab wouldn't be up, up and away.

Orders are taking off for the 420 mph Saab 2000 because it combines turbofan speed and cabin comfort with turboprop economy. The advanced propeller system developed by Dowty Aerospace was a key factor in getting this pioneering concept in regional transport off the ground.

Each Dowty propeller has six carbon and glass fibre swept blades. Capable of high efficiency in cruise, the propellers are electronically controlled by a system integrated with the engine. This ensures precise speed control and synchrophasing accuracy, making the cabin one of the quietest in its class. Without Dowty, the new Saab couldn't reach for the sky. Dowty is one of TI Group's three specialised engineering businesses, the others being John Crane and Bundy. Each one is a rechnological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



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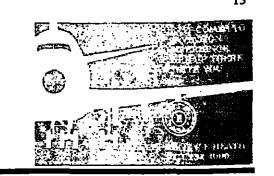


FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1995

Thursday February 16 1995



IN BRIEF

Daewoo bows to reorganisation

Daewoo, one of South Korea's largest industrial groups, will reorganise by 1997 in response to gov-ernment pressure for the country's conglomerates to streamline operations. Page 20

US bank quits equity sales in Tokyo CS First Boston, the US-based investment bank, is withdrawing from the marketing of equity sales in Tokyo. The company said the move reflected depressed trading conditions in the past few years as the Tokyo equity market continues to stagnate.

Sony rise held down by strong yen Sony, the electronics and entertainment group, reported a moderate increase in third quarter pre-tax profits as sales rose 7.2 per cant to Y1,143bn (\$11.5bn). Sony blamed the appreciation of the yen in part for the poor performance by its pictures division, Page 20

Canon advances 44%

Canon, the Japanese camera and office equipment maker, said that the worldwide strength of demand for computer equipment coupled with its own costcutting had helped it raise recurring profits before extraordinary items and tax - by 44 per cent in the year to December 31. Page 20

Trizec to sell \$440m assets and cut debts Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US\$400m and lighten its debt load as part of a new plan to put it on a secure

Postipankki loss widens in 1994 Postipankki, the Finnish state-owned bank reported

a near doubling of its losses in 1994, underlining the problems still dogging the country's banking sector. This was in spite of a sharp reduction in the credit losses which have wreaked havoc among Finnish banks in recent years. Page 16

Banesto reports Pta 12.5bn loss for 1994 Banco Español de Crédito (Banesto), the troubled Spanish bank, suffered net losses of Pta12.5bn (\$95.4m) in 1994, in line with estimates. The bank was rescued by the domestic financial sector last year and acquired by Banco de Sentander. Page 21

Wellcome forecasts higher sales Wellcome fired another salvo in its battle against a hostile bid by Glaxo, its pharmaceuticals rival, with sales projections higher than expectations. Page 22

Barclays to seek buy-back powers Barclays, the UK's largest bank, is likely to seek powers at its annual meeting in May to buy back its shares allowing it to return any excess capital to its shareholders next year. Page 22

The FT-SE Actuaries Share indices published in Wednesday's FT were based on pre-close London share prices. Today's table on Page 30 contains cor-rected figures; calculated ratios for February 14 are shown on Page 29. We regret this error, caused by technical problems affecting delivery of data from the London Stock Exchange to Extel Financial.

22 JP Morgan 18 John Fairfax

16 MFS Communication

Mitsubishi Electric

Neimen Mercus

Nordlandsbanks

Northern Electric

Philipp Hobzmann

Prudential Insurance

Saatchi & Saatchi

FT-SE Actuaries indices

London share service Managed funds service Money markets

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Recent Issues, UK

Short-term int 1828

Work! Stock Markets

435.6 - 8.5 820 - 19 335 - 10.8 185 - 8.9

Chief price changes yesterday

Postloankki

Powergen

Snam Sony

8 UBF

3 Vardon

Metro Pacific

18 KOP

Companies in this issue

Ahold

Barclays

Canon Ciba-Gelgy

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BHP Petroleum

Campbell Soup

Club Méditerrané

Den norske Bank

European Colour

Market Statistics

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FT-A World Indices

Eurobond prices

Deutsche Telekom

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RWE in German telecoms link-up

By Michael Lindsmann in Berlin

RWE, Germany's biggest electricity distributor which has branched out into telecommunications, is to link up with six smaller utilities to create a telecommunications network to compete with Deutsche Telekom, the state-owned operator.

The network would cover about twothirds of Germany. It will be used to transmit voice and data services when Deutsche Telekom's monopoly falls on January 1, 1998, in line with most of the rest of the European Union.

RWE would not say how much it would cost to create the new grid, saying that investment decisions would depend on what speed and to what extent the German telecommunications market is liberalised over the next few years.

It is still unclear how many and what sort of licences will be issued to up to five

Electricity distributor joins other utilities to create grid for voice and data services

RWE has about 4,300km of glass fibre cable needed for high quality voice transmission and the other smaller utilities have also been expanding their internal networks in recent years. It is also expanding its corporate network services through the CMI subsidiary — to which Devices. its CNI subsidiary - in which Deutsche Bank and Mannesmann, the engineering group, also have a stake - which has had considerable success with its D2 mobile phone network.

The new grid will cover the parts of western and southern Germany where

German companies, including RWE, which want to compete with Deutsche Telekom in the provision of voice services, especially to corporate clients. covers part of the Ruhr area, the Badenwerk and Energieversorgung Schwaben in the southwest and smaller grids supplying

Berlin and Hamburg However, Veba and Viag, which own the other big electricity grids in Germany, have decided not to join the venture. Both have teamed up with hig interna-tional partners and are jockeying for posi-tions ahead of liberalisation. Veba said in September it would build its own telecommunications network with Deutsche Bahn, the state-owned railways operator.

in common with Veba and Viag, both energy-based conglomerates which have branched into telecoms, RWE is expected to finance its telecoms investments with earnings from its electricity monopoly. RWE yesterday reported an improve-ment in its chemical activities which helped lift net profits for the first half to

DM504m (\$330m), up from DM404m a year Turnover in the six months rose 18 per cent to DM32.8bn, helped by new acquisi

tions. Excluding these first-time consolidations sales rose 7 per cent. Turnover in construction, one of the group's six divisions, rose 44 per cent to DM3.7tm, helped by RWE's stake in Hochtief, Germany's second-biggest construc-

tion company. "For the business year as a whole we

expect the present profit improvement to gather further momentum," said RWE.

Philip Gawith explodes the myths of a 'St Valentine's Day massacre' and a pound in crisis

Sterling's storm in a teacup but many a slip...

Dolitical turmoil, slowing growth, rising inflation, and sterling under pressure - it was enough to elicit a powerful sense of déjà vu. Add in the heady symbolism of

"St Valentine's Day massacre", and the memory of sterling's ignominious exit from the European exchange rate mechanism in September 1992, and it was but a small leap for the pundits to arrive at a "sterling crisis". Crisis, however, was not a

word heard on the foreign exchanges yesterday. As Mr Chris Dillow, economist at Nomura in London, said: "The market is trying to jump a gun that may not even go bang." Other analysts, criticising the "paranoid coverage", said they After falling to its weakest

level in nearly two years on Tuesday, sterling had a better day yesterday. Helped by better than expected economic data. which eased concerns about inciplent inflation, it closed at DM2.3584, from DM2.8563 on

While most observers believe

crisis talk is inappropriate, they are not saying that sterling is out of the woods. Indeed, when markets break through key chart levels, they habitually target the next level of technical support. Having fallen below the 1994 low of DM2.3710 on Tuesday, it is possible that sterling could fall further towards the all-time low

future, it seems likely to have only a minimal impact on the

Moody's said the shift towards

investment banking was respon-

sible for the downgrade of Mor-

gan's two US bank subsidiaries,

Morgan Guaranty Trust Company and JP Morgan Delaware,

to Aal from the top Aaa grade.

Earnings from capital markets

activities such as equities and

derivatives dealing are more vol-

atile than those from corporate

and retail banking, which Mor-

gan has relied on. "The compa-

ny's businesses are increasingly

sensitive to the behaviour of

Yet Morgan is merely following

industry trends. Over the past 10 years, competitive pressures have

forced most of Morgan's interna-

tional rivals in the same direction, leaving only a handful with

triple A ratings from either

Moody's, its biggest US rival.

Standard & Poor's or IBCA, the

Morgan was one of a select

band of blue chip institutions to

enjoy a triple A rating from all

three firms, sitting alongside

Deutsche Bank, Union Bank of

Switzerland, and Rabobank

Nederland. The liabilities of four

other German banks are guaran-

Since 1989, the average rating

of the top 50 European banks has

dropped by a notch from AA to AA-, according to S&P. Mr Barry

Hancock, head of European

finantial institutions at S&P.

expects the average to fall

The downgrade might be expec-

ted to have some impact on prof-

another notch before 2000.

teed by their respective lander.

I ondon-based agency.

global financial markets.

Moody's said.

of DM2.3130, reached in February 1998. It is also a currency considered to be in long-term decline. All of this, however, is a far cry from September 16 1992, Black Wednesday, when sterling fell 9 pfennigs against the D-Mark and exited the ERM. Then, at around

DM2.78, sterling was widely held

to be overvalued.

At current levels, however, around DM2.35, few analysts are inclined to argue that sterling is overvalued. Swiss Bank Corporation, for example, says in its latest research bulletin that, "for the first time in the 1990s, our research suggests that sterling is not particularly overvalued versus the D-Mark". SBC believes that sterling's purchasing power parity rate (the rate at which a

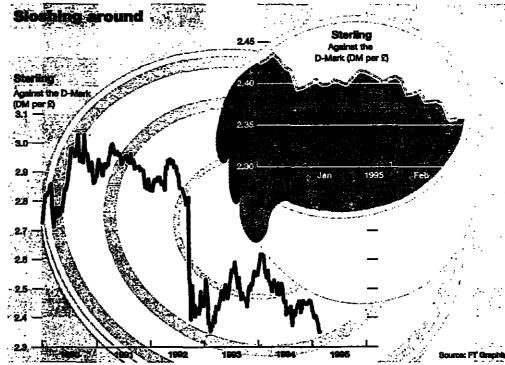
Mr Dillow goes further, saying sterling is undervalued in terms of economic fundamentals. He cites sterling's slide from DM2.55 in January 1994 to DM2.35 now, despite very low inflation and "an economic miracle on the current account" in the interim Unlike in 1992, the market does

same in both countries) against

the D-Mark is DM2.88.

not have fundamental problems with the conduct of monetary policy. Indeed, greater transparency and pre-emptive strikes against inflation have won widespread plaudits. So why is sterling weak? The

starting point is the positive eco-nomic fundamentals which the UK economy showed in the sec-



current account and a more stable political backdrop than in many industrialised countries made sterling an attractive buy. This is borne out by investor surveys. Mr Mike Rosenberg, manager of fixed income research at Merrill Lynch in New York, says their research shows clients holding "fairly significant" overweight positions in sterling.

hese investors have now turned sellers. The trigger was politics. Foreign investors in particular became concerned that tensions surrounding the Angio-Irish peace process might unseat the govern-ment. These concerns were aggravated by Tory party fending

ond half of last year. Strong over Europe. This left investors consigning itself to the outer core of Europe, where governments are considered less rigorous about inflation. These inflation concerns appeared to receive provelenme

> confirmation on Monday when January producer price inflation figures were much worse than market expectations. Along with hints of an economic slowdown and political uncertainty, it was hardly surprising that foreign investors feared a return to Britain's bad old ways.

There are more than merely domestic reasons why sterling is weak. One factor is the fall-out from the Mexican crisis. This precipitated a flight towards safehaven currencies, with the

ess in the franc and the lira, both near record lows, and the dollar, as evidence of D-Mark strength, rather than sterling

The low turnover on the forsign exchanges is also relevant. Mr Rosenberg says: "When there is less activity in the markets in general, they tend to gang up on whatever is bot at the moment. The result is that movements of currencies, and the news that generates those moves, is not necessarily in sync.'

due for a rally. "The thing about a speculative bubble not based on economic fundamentals is that sooner or later it will burst." Lex, Page 14; Currencies, Page 25

EdF says profits fell on higher state levy

Electricité de France, the world's largest generator of electricity, yesterday reported a drop in net profit to FFr1.3bn (\$248m) last year from FFr2.1hm in 1993. It blamed the decline on the French government siphoning too much from the state-owned utility.

EdF's operating profits edged ahead from FFr3.1hn in 1993 to FFr8.2hn last year, despite warm weather which depressed elec-tricity demand in France and led to a fractional drop in turnover to FFr183.3bn. But the government, which is

striving to reduce its own budget deficit, nearly doubled its profit levy from FFr1bn to FFr1.9bn, and this year EdF faces FFr3.5bn of local and indirect tax charges Mr Gilles Ménage, president of EdF. complained that EdF could not operate as a major international player under conditions "which create doubts abroad". But he said that following his protests the government had agreed to negotiate more stable financial relations with EdF. EdF said it was determined to

maintain rapid expansion Last year from the total

427.7bn kilowatt hours generated, it sold 63.1bn KWH abroad for FFr14.5bn, chiefly to the UK. Switzerland and Italy. Mr Fran-cois Ailleret, EdF's director general, said he hoped to raise exports to 70bn KWH.

EdF is taking more equity stakes in foreign companies, with investments last year in Argentina, Sweden, South Africa and Italy amounting to FFr3bn and is leading an international consortium hid to improve the

safety of reactors in Slovakia. It said yesterday it planned to keep on spending FFr2bn-3bn a participations before resuming heavy investment in renewing French nuclear power stations early in the next century.

Mr Ménage flatly ruled out any possibility that EdF might be privatised or even have its capital partially opened up. But in response to pressure from Brus-sels, EdF is prepared to see its effective monopoly of production in France modified so outsiders can bid against it to build new generators in France, However, it insists on keeping its distribu-

"Don't mistake monopoly for uncompetitiveness, we have the cheapest power in Europe." Mr EdF seeks Alactel probe, Page 16

Richard Lapper examines the downgrading of JP Morgan

vaunted triple A rating from Moody's, the US credit rating agency, is a blow to the pride of shouldn't be the one of the world's biggest and most powerful banks. Morgan was the last US bank end of the world to enjoy a top rating from Moody's as well as Standard & Poor's. The downgrading has raised few eyebrows, however, among bankers. In the immediate

ings generally find it more expensive to obtain credit lines in the interhank market. Bigger companies can sometimes be more reluctant to do business with them and strong ratings are frequently used by bank marketing departments to show their security. "In retail banking it is always an advantage, proof that voor hank is a safe haven," says Mr Ian Linnell, analyst with S&P. Most of all in the market for over-the-counter derivatives - in

Creme de la Creme Banks with top credit ratings from IBCA, Moody's and S&P (by size)

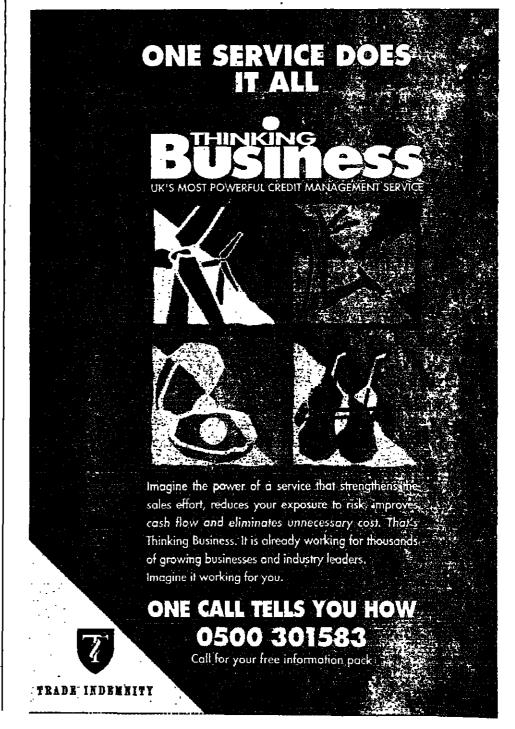
Union Bank of Switzerland Bayerische Landesbenk Rebobenk Nederland 6. Landesbank Hessen-Thüringer Baden-Württemberg

of banks have set up special subsidiaries to handle derivatives transactions. These are "bankruptcy remote" – structured to give creditors a prior claim on assets in the event of the bank-

been awarded triple A ratings by the agencies because they are reatively overcanitalised, "We certainly see a number of investment banks seeking to enhance their credit in this way," says Mr David Cannon, partner in Ernst & Young's international capital markets group in London. Yet he points out that most of the nine banks which formed such subsidiaries so far have lower ratings than Morgan. And although buy-ers - or "end users" in market jargon – might have insisted on a triple A rating for all deals five years ago, today they are more likely to be satisfied with a lower credit benchmark - AA or AAfrom S&P or Aa2 or Aa3 from Moody's. "There were some peo ple who had the triple A standard five years ago - I can't think of any today," one trader explained. Dealers in the OTC market are also beginning to demand collat-

eral from counterparties. So far this has been mainly restricted to deals between banks, but multilateral agencies are reported to have followed their example. "The reality is there are so

many ways that people come up with to modify credit risk through the use of collateral," points out Mr Paul Spraos, editor of Swaps Monitor, a specialist newsletter. Collateral arrangements are sometimes linked to the credit ratings of the parties involved, so that as its credits ratings fall a bank might be expected to place more collateral against its own exposure. Even so, Mr Spraos expects the impact on Morgan to be minimal. "I don't think it's that hig a deal although they may have to



The loss of an A

which banks provide customised swaps and other deals for corporate customers and in which Morgan is a leading player - a triple A rating has been seen as a plus. In swaps transactions, especially longer dated currency and interest deals, which can cover a period of as much as 10 to 15 years, companies can assume significant exposures to their bank

Since the early 1990s, a number

EdF seeks inquiry into Alcatel Cable billing

By John Ridding in Paris

Electricité de France vesterday said it had asked for an inquiry into allegations of overbilling by Alcatel Cable, the cable subsidiary of Alcatel Alsthom, the French transport, telecommunications and engineering

group.
"We cannot allow the slightest doubt concerning the competitive conditions of our ten-ders for offer nor our industrial policy," said Mr Gilles Ménage, chairman of the state utility. He said he had asked the ministry for industry and the economy ministry to request an inquiry by the competition

The news prompted further Cable which fell to FFr368 from FFr379. Press reports concerning allegations of overbilling had prompted a sharp fall on Monday, when the compa-

ny's shares fell FFr17 to FFr374. However, the release of strong sales figures for Alcatel Cable, which rose 18 per cent to FF739.3bn (\$7.5bn), pushed shares up to close yesterday at

Alcatel Cable and its parent company have firmly rejected allegations of wrongdoing or overbilling for EdF. "There is absolutely nothing illicit in our way of working with EdF," said Alcatel Cable. The company said the allegations made no sense because its contracts with EdF were set by competitive tender and were renewed every two years.

However, the reports and the equest for the inquiry fuelled jitters among investors unsettled over the past year by an investigation into allegations that Alcatel CIT, the telecoms equipment subsidiary of Alcatel Alsthom, had overcharged France Télécom.

thom chairman, has also been investigated about payments for building work at his private properties. Combined with a poor performance in 1994, the investigations prompted a 50 per cent fall in the share price last year. Yesterday they fell FFr8.5 to FFr435.6

As with the allegations concerning Alcatel Cable, the French group has rejected any wrongdoing with respect to its commercial relations with France Télécom and the claims concerning Mr Suard.

The allegations of overhilling concerning EdF are thought to involve medium-tension cables. Bids to supply these are sub-mitted to an independent commission presided by a former president of the Cour des Comptes, the state auditing body. Mr Ménage said yesterday he still believed the utility had good suppliers.

CLF has best year since 1987

By Andrew Jack in Paris

Crédit Local de France, the specialist French banking group, lifted provisional profits 12.1 per cent to FFr1.45bn (\$276.7m) in the 12 months to end-December 1994.

The group unveiled the outline of its business strategy and announced details of a corporate governance initiative in line with growing calls within the country for changes to the way companies are managed. Mr Pierre Richard, chairman. said 1994 had been the best year since CLF's formation in 1987, and had been achieved

By Andrew Jack

Club Méditerranée,

heavily-indebted French lei-

sure group, yesterday reported a return to the black, with net

profits of FFr94m (\$17.9m) in

Consolidated operating

income more than quadrupled

to FFr370m from FFr79m and

total revenues rose 7.6 per cent

the year to end-October 1994.

when the French banking system's financial situation mained mediocre.

While most French banks have been forced to increase their provisions, the figure at CLF crept up 5.4 per cent to FFr527m, including specific provisions against losses and revaluations of FFr397m.

Total banking income rose 13.4 per cent to FFr3.56bn. Operating costs were up 6.6 per cent to FF1807m while taxes rose to FFr53.3m from FFr31.9m.

Mr Richard said the bank had decided to focus on two markets: finance to local

group reported a net loss of

FFr296m. To reduce debt für-

ther, the company said it had

decided not to pay a dividend.

FFr3.03bn from FFr3.4bn, and

cash flow increased to FFr522m

from FFr315m. But the com-

pany said total interest charges

rose to about FFr200m from

The accounts show proceeds

FFr183m last time.

Net financial debt was cut to

authorities and to services underwritten by the public or private sector, such as trans port, telecoms, energy production and the environment. CLF's recent projects include

lead banker on the Pont de Normandie, opened in January this year, and the new European parliament building in

Mr Richard said the bank wanted to reinforce the role and power of its shareholders through measures which included regular regional shareholders meetings. It has set up a private shareholders'

said it had offset the resulting

FFr104m capital gain against a

provision for the equivalent

amount, so the transaction had

The company said "the busi-

ness indicators for the first

half of the year are encourag-

ing" and reservations and sales

were up 4 per cent on the same

no impact on the net income.

focus on sporting goods.

In November, it acquired consultative committee. Club Méditerranée returns to black leaseback of its Sandpiper village in Florida. However, it

.Mr Miettinen was confident underlying sporting goods sales would rise this year, and

Profits at Amer rise 99% despite slide in sales

By Hugh Camegy

Amer, the Finnish group which is the world's second largest maker of sporting goods, yesterday reported a 99 per cent rise in pre-tax profits in 1994 to FM272m (\$58.5m). from FM137m in 1993.

The result came in spite of a 12 per cent slide in group sales to FM6.7bn from FM7.66bn, most of which was attributed to restructuring and exchange rate effects.

There was also a marked decline in sales in the sporting goods division, dominated by Wilson, the US maker of sports equipment. The division's sales fell to FM3.2bn from FM3.58bn, partly due to falling demand for tennis equipment in the US and Germany. But profitability in sporting goods slipped only slightly, with operating profits falling 1 per cent to FM242m.

profits came from lower financing costs and returns from the non-core divisions, covering Toyota, Citroën and Suzuki vehicle imports to Fin-land, Amer's franchise for Philip Morris cigarettes in Finland and its printing and publishing units.

A large part of the latter division, which posted a 123 per cent increase in operating profit to FM49m, was sold off last month. Mr Karl Miettinen, chief financial officer, said Amer was committed to its strategy of sharpening its

Atomic, the Austrian skiing equipment maker, which will bring to 60 per cent the share of sporting goods sales in Amer's group total. It will also extend Amer's markets in Europe and Japan, where it has been weak.

predicted improved profits in 1995. He said remaining noncore operations could be sold if attractive offers were made. Adjusted earnings per share rose to FM9.90 from FM5.80. The dividend was set at

Philips floats minority stake in unit

Philips, the Dutch electronics group, is to float a minority stake worth up to \$159m in ASM Lithography, its Dutch-hased subsidiary which makes components for integrated cir-

The unit's shares are to be listed on the Nasdaq stock market in the US and the Amsterdam stock market.

ASM Lithography, with 1994 sales of FI 534m (\$314m) and a

facturers in Europe, the US offering, scheduled for mid-and the non-Japanese markets March, is expected to be set at of Asia.

The company is 95 per centowned by Philips, with the remaining shares held by a company foundation that oversees an incentive scheme for

Philips said it would-sell 8m shares, plus an additional 1.65m if underwriters need the extra shares to cover over-allotments. ASM Lithography itself will offer 3m new shares

The price of the initial public \$14.50-\$16.50 a share, valuing ASM Lithography's expanded share capital of 33m shares at

between \$478.5m and \$544.5m The offering will reduce Philips' stake in ASM Lithography to about 62 per cent, which could fall to 57 per cent if the underwriters exercise their 30-day over-allotment option. CS First Boston will be global co-ordinator of two simultaneous public offerings in the US and internationally.

6.6m will be sold in the US through a syndicate led by CS First Boston and Morgan

Stanley.
About 4.4m shares will be sold in the rest of the world, with ABN Amro, the Dutch bank, and Morgan Stanley acting as co-lead managers, along-

side CS First Boston. Philips said ASM Lithography's highly-specialised business meant the company would be better off as a standalone entity able to finance its growth independently.

Postipankki in FM685m loss

By Hugh Carnegy

Postipankki, the Finnish Postipankki, the Finnish state-owned bank, reported a near doubling of its losses in 1994, underlining the problems still dogging the country's banking sector. This was in spite of a sharp reduction in the credit losses which have procked haves among Finnish. wreaked havoc among Finnish banks in recent years.

Postipankki, one of Finland's nationwide banking groups, said its operating loss widened to FM685m (\$146m) from FM354m. Although credit and guarantee losses narrowed 36 per cent to FMI.23bn from FM1.94hn, this was offset by a 13 per cent fall in total income to FM3.52bn from FM4.03bn and a 24 per cent rise in costs to FM2.77bn from FM2.23bn. Along with the co-operative

Okobank, Postipankki is faced with competition from the combined forces of the two top banks, Kansallis-Osake-Pankki and Union Bank of Finland. which last week agreed to

Mr Seppo Lindblom, Posti-pankki's chief executive, said the decline in 1994 was "a passing phase" and forecast a return to modest profitability this year.

However, he warned that the future remained tough and heavy cost-cutting was required. There is is still a lot of overcapacity in [Finnish] banking. Even growth in the volume of business will not help very rapidly. Better profitability is hampered by tougher competition and poor demand for financial services." The 1994 result was hit by

losses incurred during the sharp downturn on bond mar-kets last year, which led to a FM254m loss in bond trading, compared with a FM218m gain in 1993.

The bank said overall income levels had improved since the fourth quarter.

The sharp rise in costs was attributed largely to Postipankki's takeover of a one-quarter share of the Savings Bank of Finland, which collapsed at the height of the loan loss crisis and was parcelled out by the government to the four top

However, Mr Lindblom said that credit losses were on a rapid downward path. After write-offs, non-performing and zero-interest loans fell to FM2.75bn from FM3.87bn a

year earlier.

Stadshypotek stages turnround

By Hugh Carnegy

Stadshypotek, Sweden's larges mortgage lender which moved out of state control through a demutualisation issue last year, swung to an operating profit of SKr1.72bn (\$282m) in 1994 from a loss of SKr866m a year earlier.

This was more than SKr400m better than the company's forecast when it was floated in September. Stadshypotek is to pay a first

dividend of SKr2 a share, higher than the SKr1.75 it forecast in its issue prospectus last A fall in credit losses to SKr1.8bn from SKr3.6bn was

the main factor behind the

return to the black. But Stadshypotek also achieved a 25 per income, to SKr4.2bn from SKr3.35bn

The company said half of the

improvement in net interest income was due to a reduction in lost interest from problem credits, and the balance to an increase in interest margins. Although interest income fell to SKr37.3bn from SKr38.9bn,

reflecting low credit demand in Sweden, interest payments fell by a greater margin, to SKr33bn from SKr35.5bn. Total problem loans fell to

SKr5.7bn from SKr7.1bn. Provisions for possible further loan losses were reduced to SKr2.4bn from SKr2.6bn.

week between Finland's two leading banks, Kansallis-Osake-Pankki and Union Bank of Finland, has been approved by their boards.

The new bank, to be one of the Nordic region's leading banks with total assets of FM300bn (\$64bn) is confident of winning regulatory approval by the Finnish authorities.

It is scheduled to begin operating as a single entity from April 1. Mr Vesa Vainio, currently chief executive of Unitas, the UBF holding company, will be chairman and chief executive, and Mr Pertti Voutilainen, currently chief executive of KOP, deputy chairman and president.

Earnings at Valmet rise to FM203m

Valmet, the Finnish paper machinery and engineering group, doubled profits after financial items to FM203m (\$43.6m) in 1994 from FM100m a year earlier. Restructuring helped offset weaker underly-

It forecast a further improvement in 1995, even though losses are expected in the first four months of the year.

The group's efforts to strengthen its balance sheet during the year paid off, by cutting debt and reducing net interest costs to FMZ19m from

The main measures were an international share offering, which raised FM671m, and the FM1.62bn sale of the group's transport equipment and tractor operations to Sisu-Auto. Adjusted for the disposal, sales slipped to FM7.4bn from

FM7.6bn. The group's main paper and board machinery division lifted sales to FM5.47bn from FM5.25bn, while operating profits rose to FM235m from FM181m. There were improved performances from the automation and Saab-Valmet units, although losses deepened within the aviation unit.

Valmet said prospects were improving thanks to rising orders and the revival in the pulp and paper sector, its main customer. New order bookings amounted to FM8.9bn in 1994, lifting the year-end backlog to FM6.38bn, up 8 per cent on

This announcement appears as a matter of record only.

of FFr387m from the sale and period in the previous year.



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ING BANK

December 1994

"Samba achieves record results for the sixth successive year."

Saudi American Bunk's (SAMBA) fifteenth year of operations in the Kingdom reflected six consecutive years of record earnings culminating in the Bank surpassing

These results are a positive reflection of the Bank's emphasis on pursuing a tent business strategy of product innovation whilst maintaining superior asset quality. SAMBA has traditionally focused on being a strongly capitalized bank and this emphasis is supported by the further doubling of our share capital in 1994 through the capitalization of retained earnings and reserves.

Net income for 1994 equals SR 1.014 million (1993; SR 942 million; 1992; SR 910 million). This increase is significant in that it has been achieved despite an extremely Bank's results amply demonstrate that we successfully met these challenges by controlline cost growth whilst simultaneously developing newer revenue streams. This allowed us to register a growth in net revenue from funds as well as increase revenues from fee-based businesses in line with our established long term strategy.

SAMBA has provided SR 72.4 million for potential loan losses during 1994 (1993: SR 5.1 million; 1992: SR 33.7 million). The transfer to reserves for 1994, while generally consistent with previous years, reflects an increase to cater for the present ic environment and to provide an adequate cover for the significant increase in our new products during the year. We are confident that these levels of general eserves are consumatively assessed and sufficient to open any activers: movement in our otherwise sound loan trortfolio

SAMBA's total assets at the year end had grown to SR 43.6 billion (1993: SR 39.8 billion: 1992: SR 38.3 billion). Nearly all of this asset growth has been in our loan portfolio and reflects SAMBA's commitment to supporting our customers in a time of mic constraints. We remain satisfied with both the size and quality of our balance sheet, which reflects our strategy of diversifying revenue sources by aggressively uing new grouth apportunities after first carefully assassing the associated risks returns. Customer deposits increused to SR 31.6 billion (1993: SR 30.1 billion: 1992: SR 29.1 billion) whilst the Bank's loan portfolio grew to SR 17.0 billion by the end of 1994 (1923: SR 13.1 billion; 1992: SR 11.6 billion). Our investment portfolio had grown to SR 17-8 billion (1993: SR 17-3 billion; 1992: SR 16.6 billion) by the year end and continues to reflect our bias towards investing in Saudi Government accurities.

Our key financial indicators remain outstanding, with return on equity of 29% (1993: 32%: 1992a 36%) and earnings per share of SR 42.3 (1993: SR 39.3:

After taking into consideration the results for the year and after a prudent feed of retention for future expansion, the Board of Directors recommend a gross dividend dividend of SR 25 per share to the Saudi shareholders.

During the financial year 1994, Saudi American Banh allocated SR 2.327.110 as ations to various charitable, educational and other social causes.

Directors' remuneration for 1994 totals SR 1,210,000, Attendance fees for Board and Executive Committee meetings equal SR 93,000 and SR 129,000 respectively. Expenses including travel, board and lodging incurred by Directors for attending meetings of the Board and Executive Committee amount to SR 378,244. Compe of Directors in their capacity as Executive Directors of the Bank amounts to

bsidiaries amounted to SR 189,062.

The Board of Directors reco

1,013,944 Transfer to Statutory Reserve (254,739) Transfer to General Reserve Proposed Dividend (634,000)

rebolders at their Annual Ordinary General Meeting. Dividend claims may be presented for settlement at the Bank's registered head office or at any branch of Sandi American Bunk

At the Annual Ordinary General Meeting of the Bank's sharebolders, held during March 1994, Mestrs. Whitmey Murray & Co. and Al Jurald & Co. were appointed as joint auditors to Smult American Bank for the fiscal year ending 31 December 1994. The forthcoming Annual Ordinary General Meeting of shareholders shall re-appoint the existing auditors or appoint other auditors and determine their renumeration for the audit of the Bank for the year ending 31 December 1995.

Financial Highlights

			ar vušimširis		
ı	1994 SR'000	1993 SR*000	Statement of Eurnines	1994 SR'000	19 5 80
nd Due from Banks and Advances (net) and Securities Assets asets tites and Skarcholders' Funds ner Deposits Banks	6,951,985 17,013,375 17,954,543 1,684,808 43,604,711 31,624,993 6,726,559	6.927,406 13,096,471 17,653,445 2,108,713 39,786,035 30,074,848 5,175,485	Operating Revenue Less: Operating Expenses Total Operating Income Transfer to Loan Loss Reserves Net Income for the year ended December 31, 1994	1,752,671 (666,361) 1,086,310 (72,366) 1,013,944	1,537,2 (590.0 947,2 (5,0 942,1)
Labilities	1.620.066	1.202.553	· .		

Saudi American Bank



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INDICATORS SHOW RISE FOR 1994

+ 13.4% Net consolidated profit (Group share) + 16.7%

 \star

TECHNIP's Board of Directors, which met on February 13, 1995, examined the activity of the Group for 1994 and was informed of the estimation of the financial results for the same year.

The consolidated economic turnover showed a rise of 13.4% and amounts to 8.86 billion French francs, as opposed to 7.81 billion francs in 1993.

The Group's share of net consolidated profit is estimated at 370 million French francs, as opposed to 336.6 million francs in 1993, thus marking a 10% increase over the previous financial year.

The part of contracts, already under way and still to be carried out by the Group ("backlog"), represents, as of January 1, 1995, 14 billion French francs and marks an increase of 16.7%. The performances for 1994 are the result of the strategic lines defined over

the past few years.

During 1994, the Group will have carried out 81% of its contracts in the form of turnkey or assimilated forms of contracts.

Breakdown of turnover by field of activity	1994	1993
Refining and gas processing .	49%	52%
Hydrocarbons (upstream)	7%	7%
Petrochemicals and fertilizers	31%	28%
Industries, infrastructures, other	13%	13%

The essential part of the Group's activity for 1994, i.e. 82% of its economic turnover, took place outside of Western Europe due to the slowdown in investments in that part of the world.

Geographical breakdown of turnover	1994	1993
France/Western Europe	18%	33%
C.I.S./Eastern Europe	3%	4%
Middle East	43%	32%
Asia	18%	16%
Africa	8%	5%
Latin America	10%	10%

The company's accounts, which are currently being audited by its Statutory Auditors, will be approved by the Board of Directors in mid-March.

TECHNIP

DESIGN & CONSTRUCTION **OF MAJOR INDUSTRIAL PROJECTS**

NOTICE OF REDEMPTION

Owens-Coming Fiberglas Corporation

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 15, 1891 (the "Indenture") between Owers-Coming Flourgles Corporation (the "Company") and The Chase Manhattan Bank, N.A., as Trustee, the Company has elected to receive all of its outstanding bears 5% Convertible Junior Subordinated Datemarane due 2005 (the "Bedeepston Date") at a redemption price equal to 105.60% of the principles amount thereof (the "Tedemption Price") plus interest account thereon to the

The Baser Securities will become due and payable at the Redemption Price on the ledemption Date, and upon presentation and surrender of the Bearer Securities (together with all n-makined coupons) to a Paying and Conversion Agent (as identified below). The Redemption vibe will be paid. Accused interest will be paid to the Redemption Date. Interest on auch Bearer lecurities will coate to accuse on and after the Redemption Date.

Securities will coasie to access on and ether the Rademption Date.

As an abstractive to redexciption, holdate of Bearrer Securities have the right to convert Bearrer Securities into fully paid and normanessatele sharner of Common Stock of the Company at a conversion rate of one sharner of Common Stock for each SES,75 principal amount of Bearer Securities. No tractional sharner or securities representing fractional sharner will be insued upon conversion, but it is conversion results in a fraction of a share, the holder will be insued upon amount equal to the series fraction of the manufacture place per share of the Common Stock as of the clase of business on the business day mant precading the date on which the Bearer Security or Bearer Securities and completed Conversion Notice (switishle from any Psyling and Conversion Agent identified below) of the first of the Searer Security or Bearer Securities and completed Conversion Stock as the conversion Agent identified below). One of the Searer Security or Bearer Securities and completed Conversion Notice are received by the Psyling and Conversion Agent, Molders designing to convert Bearer Securities must easiefy the requirements as forth or the reverse side of the Bearer Securities. The SRANT TO CORNETT SECRET SECURITIES WILL TERMENTER AT TIME CLOSE OF

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México, D. F.

US\$ 13,000,000

Term Loan provided by

the German Investment and Development Company

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH Cologne

US\$ 5,000,000

Term Loan provided by Creditanstalt-Bankverein Vienna

January 1995

INTERNATIONAL COMPANIES AND FINANCE

Trizec to sell \$440m assets and cut debts

By Bernard Simon in Toronto

Trizec, the Canadian property developer which emerged from a financial restructuring last year, plans to sell assets worth US\$400m and lighten its debt load as part of a new plan to put it on a secure footing.

The strategy unveiled yesterday is the culmination of a reexamination of Trizec's operations and financial position since control passed last July to Horsham, the invest-

ment holding company headed by Mr Peter Munk, and a partnership led by J. P. Morgan and US financier Mr Gerald O'Connor.

assets include interests in 83 North American office towers. shopping malls and other prop-erties, said that "self-discipline" would be an important part of its future strategy. In spite of signs of an upswing in North American real estate markets, the com-

most positively influence or which have significant upside".

It has found buyers for several parcels of land, a Cal-Trizec, whose \$3.5bn of erty developer. will be used to fund growth and to reduce long-term debt

gary office building, stakes in several US shopping mails and

its interest in Bramalea, another alling Canadian prop-Proceeds from the disposals

totalling \$2.3bn. Last year's

of what remains is due over the next 2-3 years.

The year end has been changed to December 31, and results are now reported in US dollars. Net income for the five months to Dec 31 last year was \$17.4m, or 16.9 cents a share. Cash flow from operations totalled \$36.3m. Comparisons with earlier periods are mean-

ingless.

Trizec said that rents in all group recently resigned.

pany proposes to focus "on restructuring eliminated \$1.1bn its markets have strengthened those assets which we can of debt, but a sizeable portion in recent months and that in recent months and that interest in real estate among institutional investors has

improved, especially in the US. The company recently moved its head office from Calgary to Toronto. It also announced several management appointments, including a new chief financial officer and a head of its US office properties group. The president of its US retail properties

MFS tumbles **NEWS DIGEST** deeper in the red

By Maggie Urry in New York

Heavy start-up costs weighed on MFS Communications, provider of telephone services to US business and government customers in competition with local exchanges, causing a net loss in the fourth quarter of 1994 of \$59.2m compared with a loss of \$3.9m in the same period of 1993

The net loss for the year was \$151m, up from \$15.8m in 1993. The net loss per share was 94 cents, against 6 cents, for the final quarter and \$2.42, up from 30 cents, for the year.

Rapid expansion and acquisitions brought strong revenue growth. In the fourth quarter sales were \$102m, up from \$38.3m, and for the year revenue totalled \$287m, compared with \$141m.

During the year MFS increased the number of metro-politan areas in which it oper-ates from 14 to 30, including London, Frankfurt and Paris. Another 12 are under develop-

MFS said the losses reflected higher depreciation and inter-est charges related to "the accelerated network expansion Capital expenditure during

the year totalled \$380m, com-pared with \$135m in 1993. The telecommunications division accounted for 80 per cent of revenues in 1994, up from 50 per cent in 1993, partly due to acquisitions.

Revenues for the year from this division were \$229m, up from \$70m. At the year-end monthly recurring revenue was running at an annual rate

of \$380m. The other division, network systems integration, saw a decline in sales to third parties of 19 per cent in the last quar-ter to \$14.7m, and an 18 per cent fall for the year to \$58m. MFS said this was due to an increased focus on design and construction for its own net-

works. At the year-end, though, orders from third parties were up 16 per cent.

Charges take toll on Fruit of the Loom

By Richard Tomicins in New York

A series of charges caused by reorganisation costs took Fruit moving and less profitable of the Loom, the US underwear products; and charges incurred and casual clothing company, into net losses of \$43.7m in the fourth quarter, compared with net profits of \$61.6m last time.

Sales jumped by 30 per cent to \$584m, but the charges left the company with losses per share of 58 cents compared with earnings of 81 cents last new products, added capacity time. For the full year, net and improved distribution profits fell to \$60.3m from

Mr William Farley, chairman and chief executive, said sevfourth quarter to reduce costs. increase efficiency and petitive position.

Earnings were hit by charges profitability it experienced reflecting the consolidation of torically." Mr Farley said.

the company's licensed sportswear operations: increased inventory provisions resulting from a decision to drop slower products; and charges incurred as a result of the devaluation of the Mexican peso.

Mr Farley said the domestic

T-shirt business and the fleece and underwear businesses had excellent results in the quarter. "A positive economic outlook in the US and Europe, should allow us to record strong revenue growth in 1995 as well," he said.

However, profitability was eral actions were taken in the still far below the level the company was capable of achleving. "Consequently, we are ng every enort the company to the levels of profitability it experienced his-

Fund criticises DnB

By Karen Fossii in Oslo

The Bank Investment Fund. which administers the Norwegian government's shareholdings in commercial banks, has criticised the 1994 dividend proposed by Den norske Bank. Norway's largest commercial bank. The state holds a 72 per cent stake in DnB.

The state-backed fund is expected to seek a higher pay-out at a meeting scheduled for March 21. Analysts suggested that if the fund's demands were not met, it could seek to unseat DnB's board at the annual shareholders' meeting on April 14 and demand board entation.

The government and DnB and Christiania Bank, the second largest bank in which the state holds a 69 per cent stake, have been embroiled in the dividend dispute. The row is set to intensify because the state's dividend demands have been ignored by DnB and are expected to be defied next week by

The government has called for a dividend payout ratio of

on Tuesday DnB rejected the demand and proposed a dividend equivalent to a payout ratio of about 30 per cent.

The bank reported record pre-tax profit of NKr2.69bn (\$405m) for 1994, a near threefold increase over 1993 profits. Ms Ellen Moe, BIF chairman, said while the fund was

pleased by the bank's result the dividend proposal fell con-siderably short of expectations. DnB maintains the proposed dividend will allow it to build up its finances and increase the core capital ratio to 7.4 per cent from from 5 per cent in 1993. But Ms Moe argued that even if DnB met the state's dividend demand, the bank's core capital ratio could still rise to between 6-7 per cent of risk-

weighted assets. However, Mr Bjoern Skogstad Aamo, managing director of the Banking, Securities and Insurance Commission, the industry watchdog, said yesterday the state's dividend demand was not advisable for 1994 because DnB's results were heavily influenced by non-recurring loan loss rever-

Campbell Soup ahead ings per share, lifted by stock

By Richard Tomkins

Campbell Soup, the US food company that recently completed the \$1.04hn acquisition of Pace Foods, the world's big-gest maker of Mexican-style hot sauces, reported a 13 per cent increase in net income to \$231m for its second quarter to

Mr David Johnson, chairman and chief executive, said he was comfortable with analysts' predictions that earnings per share would reach \$2.80 for the full year, up from \$2.51 last

Second-quarter sales rose 8 per cent to \$2.04bn and earn- per cent to \$40m.

repurchases, rose 15 per cent to 93 cents. Net income for the first six months was up 16 per

in the US, warm winter weather caused a 0.5 per cent decline in soup volumes, but other products did well, and operating profits climbed 9 per cent to \$272m. Soup volumes outside the US

grew 6 per cent in the quarter and 12 per cent for the first half, with strong gains from Canada, Mexico, Asia and exports from the UK. This helped international groceries increase operating profits 13

Surge in building

lifts Holzmann output by 11%

Philipp Holzmann, one of Germany's largest Philipp Holzmann, one of Germany's largest construction companies, yesterday reported a rise of 11 per cent in domestic output for the year to the end of 1994, boosted largely by the surge in boilding in eastern Germany, writes Judy Dempsey in Bonn.

Mr Lothar Mayer, chairman of the board, said Holzmann was planning to increase its hase capital, but did not say by how much. He

added that the net profits and dividend would be made public in May when the group announces its full results.

Yesterday's preliminary results follow unsuccessful attempts by Hochtief, the country's largest construction company, to increase its stake in Holzmann to 35 per cent.

Total group construction output rose by 5.4 per cent to DM14.2hn (\$9.38bn) last year from DM13.8bn in 1993. Domestic output increased by 10.8 per cent, to DM9bn from DM8.17bn over the same period.

Domestic business made up 69 per cent of Holzmann's total volume, an increase of 3 per cent on the previous year. Business in eastern Germany accounted for 40 per cent of its total domestic construction volume in 1994.

Placer Pacific ahead 18.7% before abnormals

Placer Pacific Helped by lower costs and depreciation Share price (AS) ** W

charges, Placer Pacific, the Australian-listed company which is con-trolled by Canada's Placer Dome, yesterday announced an 18.7 per cent increase in profits before almormal items, to A\$153.9m (US\$114.5m), for 1994, writes Nikki Tait in Sydney. However, the

1993 figures were lifted by a large abnormal tax adjustment, with the result that after-tax profits for the most recent 12 months were A\$84.1m, down 23.7 per cent from the previous year's A\$110.3m. Total operating revenue was A\$531.3m against A\$537.4m.

The company said that its share of gold production fell to 795,124 ounces in 1994, from \$29,064 ounces in the previous year, and that it expected a further slip in 1995 due to lower

Its share of production at the large Porgera

goldmine in Papua New Guinea, where it has a 25 per cent stake, fell to 255,050 ounces, from PBL to 'co-operate'

over Fairfax The Australian Broadcasting Authority, which is considering whether recent purchases of shares in John Fairfax, the Australian newspaper publisher, by Mr Kerry Packer's Publishing and Broadcasting group (PBL) breach media cross-ownership rules, said yesterday that PBL "has indicated that it will co-operate with the ABA and has also provided details of Fairfax interests held by connected companies" written Wilkla Taits.

nies," writes Nikki Tait, Fairfax shares gained another six cents yesterday, to A\$2.70, in fairly heavy trading, with Mr Packer thought to be adding to his stake. On Tuesday, PBL said that it held 13.7 per cent of Fairfax's ordinary shares, compared with

12.8 per cent previously. However, if non-voting convertible debentures, also owned by interests connected to Mr Packer, are added the Australian businessman's potential economic interest rises to 16.4 Because of Mr Packer's TV interests, the

country's media cross-ownership rules would appear to peg the permitted Fairfax stake at 15

per cent - although Mr Packer is expected to argue otherwise. Nordlandsbanken posts

sharp decline Nordlandsbanken, a medium-sized Norwegian commercial bank, yesterday reported a fall in 1994 profit to NKr50.27m (\$7.58m) from NKr97m in 1993. It blamed a cut in net interest income and a sharp decline in non-interest income, writes Karen Fossli.

Net interest income fell by NKr13.7m to NKr366.1m while non-interest income dropped more than three-fold to NKr61.87m from NKr204.2.

The bank suffered losses of NKr49.37m on securities last year, against gains of NKr111.37m in 1993. Foreign exchange gains fell to NKr17.54 from NKr19.41m.

Group operating expenses rose by NKr12.15m to NKr294.02m but losses on losses and guarantees plunged to NKr74.45m - the lowest level since 1987 - from NKr174.18m Operating profit was cut to NKr59.15m from NKr99.44m, but Nordlandsbanken is proposing an unchanged divideod of NKr5.

Japanese retailer buys Honolulu mall

Daiei, Japan's largest retailer, will acquire Ala Moana Shopping Centre, a large shopping mall in Honolulu, Hawaii, by the end of next mouth, reports Emiko Terazono in Tokyo.

The supermarket chain, which already owns a 60 per cent stake, will buy the remaining 40

per cent from Equitable Life Assurance Soci-

per cent from Equitable Life Assurance Society, a leading US life assurance company, for about Y30bn (\$310m).

Ala Moana, comprising 140,000 square metres with 210 stores, is one of the favourite tourist spots in Hawaii. It had operating revenues of \$627m in the year to last September.

Neiman Marcus enjoys good Christmas

A strong Christmas season boosted earnings at Neiman Marcus, the US retailer, to a record for its second quarter, which ended on January 28. Net income in the quarter was \$26.5m, up from \$21.5m. Earnings per share were 51 cents, up from 37 cents, writes Maggie Urry.
That takes first-half net income to \$46.5m.

against \$36.7m, and earnings per share to 84 cents from 58 cents. The Neiman Marcus stores had "an outstanding holiday season," said Mr Robert Tarr, president and chief executive. However, the NM direct mail order business suffered weak

clothing sales and earnings fell. The group's Bergdorf Goodman stores generated "substantially higher operating earnings" from increased sales volumes. The third division, the Contempo Casuals chain, which had been subject to restructuring and store closures last year, "generated a small operating

profit for the quarter compared with an operat-ing loss a year ago," the company said. Even so, Mr Tarr said, sales in comparable stores were still declining and would need to rise if the chain was to meet its second half

Ahold and Allkauf in Polish venture

Ahold, the Dutch-based food retailer, and Allkauf, the German retail group, are working on setting up a joint venture to penetrate the Polish retail market, writes Ronald van de

Krol in Amsterdam. The companies said further details would be available at the end of March but added that initial operations in Poland were expected to get under way in the spring, possibly through partnership with local Polish retail companies. Ahold and Allkauf said they planned to

develop several retail formats in Poland. Ahold, which is active in supermarkets in the Netherlands, the US and Portugal, is also building up a supermarket chain in the Czech Republic. Alikauf's operations in Germany include 20 hypermarkets in east Germany.

Banque Indo-Suez opens third branch in China

Banque Indo-Suez, the French-owned bank, yesterday opened a branch office in Guang-zhou, southern China, writes Tony Walker in China and reflects its focus on Asian business. Mr Jean-François Lepetit, chief executive

officer of Banque Indosuez, said the opening of the Guangzhou branch was part of continuing attempts to "upgrade our presence in China".

The bank established a branch in the Shenzen special economic zone next to Hong Kong in 1985, and in Shanghai in 1991. It hopes to convert its representative office in Beijing to a

branch when that becomes possible. W. I. Carr, Banque Indosuez's merchant banking subsidiary, has applied to establish an office in Shanghai. It holds a special seat on the Shanghai Stock Exchange.

Banque Indosuez shifted responsibility for its China operations from Hong Kong to Shanghai at the beginning of this year as part of its attempts to sharpen its China focus. Mr Lepetit was confident about business prospects in China in spite of present political and economic uncertainties connected with

the leadership transition. Profits at BPI slip to Es7.94bn

Banco Português de Investimento, Portugal's leading investment bank, yesterday reported a 1.8 per cent fall in net consolidated profits to Es7.94m (\$50.2m), against Es8.09bn in 1993, writes Peter Wise in Lisbon.

It blamed a reduction of Es4bn in earnings from financial operations, compared with 1993, and Es600m less in extraordinary profits.

and Es600m less in extraordinary profits.

BPI announced a 1994 dividend of Es100, against Es140 in 1993 which, it said, represented an improved payment after taking into

account a capital increase in early 1994. Non-performing loans more than 90 days overdue felt to 4.9 per cent of total loans for the group, which includes Banco Fonseas e Burnay, a small retail bank. The level for BPI itself was 0.8 per cent.

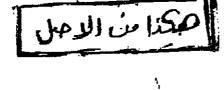
Operating loss widens at Greyhound Lines

Greyhound Lines, the struggling US bus company, reported a severe downturn in its fourth—quarter financial performance with operating losses climbing to \$38.3m from \$2.5m, writes

Richard Tomkins Net losses fell to \$5.4m from \$6.4m, but this was because of extraordinary gains resulting from a financial restructuring that pulled it back from the brink of bankruptcy at the end

of last year.

Net losses for the full year were \$77.4m, compared with net income of \$7.5m last time. Mr Craig Lentzsch, chief executive, sald passenger numbers appeared to be rising in response to changes in marketing and cuts in fares, and Greyhound hoped to benefit from rail cuts recently announced by Amtrak. However, Mr Lenizsch said it would take up to two years to complete the restructuring.



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Operating his nider

Daewoo to launch reorganisation

By John Burton in Secui

Daewoo, one of South Korea's largest industrial groups, yesterday announced that it would conduct a structural reorganisation by 1997 in response to government pressure for the country's conglomerates to streamline their operations.

It will cut the number of 21 and introduce a decentralised management structure.
Mr Kim Woo-choong, Dae-

woo chairman and founder, will reduce his managerial role to supervising an ambitious expansion of car production, which will complement the group's main activities in shipbuilding, electronics, construction and securities.

Daewoo also plans to meet new strict government criteria

Giordano

advances to

Giordano, the Hong Kong-based Asian fashion retailer,

yesterday slightly exceeded expectations when it reported

a 42 per cent advance in net

profit to HK\$195.3m (US\$25.26m) in the year to December, compared with

Profit was struck on a 22.6

per cent growth in turnover to HK\$2.8bn from HK\$2.3bn.

Earnings per share advanced

40 per cent to 30.9 cents from

22 cents in 1993. A final dividend of 7.5 cents

will be paid which, together with the interim of 3.5 cents

makes 11 cents for the year -

nain markets, such as Hong

Kong, were experiencing diffi-

culties. Net margin rose to 6.8

1993, although some ques-

tioned whether this could be

Mr Kent Chan, retail analyst

at Salomon Brothers, said

up 22 per cent on 1993.

HK\$137.6m a year earlier.

HK\$195m

By Simon Holberton

in Hong Kong

for the dispersal of share own-ership and financial soundness that will enable it to escape state-imposed capital borrowing restrictions, which were introduced to curb the growth of the country's top conglomerates, or chaebol.

The group will reduce the amount of closely-held shares held by Mr Kim and Daewoo subsidiaries from 42.4 per cent to less than 20 per cent by 1997, while increasing its equity-toasset ratio from 26.6 per cent to 50 per cent by the year 2000. The Daewoo reorganisation follows similar plans recently announced by Samsung and Hyundai, but goes further in terms of meeting state targets on wider shareholding and

The restructuring will subsidiaries, including Koram

Canon, the Japanese maker of

cameras and office equipment, yesterday said that the world-

wide strength of demand for

computer equipment coupled with its own cost-cutting mea-

sures had helped it to increase

recurring profits - before extraordinary items and tax -

by 44 per cent in the fiscal year

Recurring profits climbed to Y58.9bn (\$546m) from Y37.4bn

in 1993, in spite of the continu-

financial strength.

By Michiyo Nekamoto

Plastic, Korea Industrial Systems, Daewoo Electric Motor Industries, and Kyungnam Metal. Daewoo will give up its majority stake in Dong-Woo Management Consulting.

Daewoo will increase listed subsidiaries from eight to 11 through public offerings for Daewoo Motor, Daewoo Automotive Components and Daewoo Information Systems by 1997. It will also merge Orion Electric Components with Orion Electric, and Daewoo Electronic Components with Daewoo Electronics.

The Daewoo reorganisation announcement comes shortly before the government intro-duces new financial restrictions on the leading chaebol on April 1. The government is attempting to force the chaebol to streamline their sprawling operations and specialise in a

sluggish domestic market.

Y20.3bn.

Sales rose 4 per cent to

Y1,078bn from Y1,087bn and

net profits were 32 per cent up to Y26.7bn, compared with

Canon was able to benefit

from the strength of computer demand during the period,

which supported increased

sales of many of its products.

For example, demand for semiconductor production

equipment rose on the back of

strong semiconductor demand

worldwide, which was in turn

driven by buoyant computer

weakening cross-holding arrangements within the groups to reduce the dominance of the chaebol in the Korean economy.

However, Mr Chey Jonghyon, the head of the Federation of Korean Industries that represents the chaebol, harshly criticised the government's reform policy earlier this week "In the era of globalisation the government is trying to regulate big business groups with a policy reminiscent of the era of Thomas Edison," said Mr Chey.

The reforms would hinder the ability of Korean conglom-erates to diversify into new high-growth sectors, while financial restrictions would harm the groups' international ss, he claimed. Efforts to diffuse the equity

sales. As a result, sales of step-

pers, used in making semicon-

ductors, rose about 53 per cent

In Japan, in spite of a

moderate recovery in con-

sumer spending, the company

continued to face lacklustre

market conditions as capital

investment remained at low

Markets in the US and Asia

were firm but Canon, in line

with other Japanese exporters,

suffered from the impact of the

with a 4 per cent increase in

revenues from the music side

contrasting with a 11 per cent

in part for the poor perfor-

mance by its pictures division,

but admitted that disappoint-

ing box office results from sev-

eral films released during the

quarter were also to blame.

Even on a local currency basis,

per cent appreciation against the dollar and 3 per cent rise

American Depositary Share in

Each ADS represents 10 ordi-

• Telecom New Zealand, con-

third-quarter earnings by 17.4

per cent to NZ\$158m (US\$100m)

on the back of strong growth

in operating revenues from cellular and network services

and from rising demand from

local and international

in the year, Canon said.



Kim Woo-choong: supervising expansion of car production

ownership of the chaebol, which are concentrated in the hands of founding families, are

"just as outdated as that of specialisation" because "the structure of equity ownership does not matter", Mr Chey

Canon benefits from solid demand successfully shifting production overseas, raising effifrom costs during the year.

It is forecasting a 5 per cent rise in sales to Y1,130bn in 1995 and an 11 per cent increase in recurring profits to Y60tm. Net profits are forecast to rise 27

Film side holds back progress at Sony

to December 31.

The continuing weak Analysts praised Giordano's ability to improve net margins at a time when some of its per cent from 5.8 per cent in

Giordano's focus on margins instead of sales in 1994 had proved successful. Mrs Kate Newman Mack, retail analyst at Kleinwort Benson Securities Asia, went further, claiming that Giordano was alone in

ment in margins. Last year marked the turnround for Tiger Enterprises, the company's business in China. China operations pro-duced a profit of HK\$20m compared with a loss of HK\$69m in 1993. During the year Giordano moved to increase its

1994 in showing an improve-

of its capital. Giordano's policy in China is to take cash before the delivery of goods; this way it avoids the problems of bad debts which plague Chinese

By Michiyo Nakamoto

performance of its motion pictures business, coupled with the strength of the yen, is still weighing heavily on Sony, the Japanese electronics and entertainment group, but it still reported a moderate increase in third-quarter pre-tax profits. Sony managed to post an increase of 4.8 per cent in consolidated pre-tax profits to Y59.2bn (\$600m) for the three months to end-December. Net profits were up 50 per cent to

The recovery came on the back of a pick-up in sales to

Indosat, the Indonesian

state-controlled telecommuni-

cations company which was partially listed in New York

year, said full-year 1994 net

It attributed the growth to

an expansion in the country's international telephone traffic.

Net income rose to Ro289bn

(\$131m) from Rp251.5bn a year

profit rose 14.9 per cent.

Y1.143bn from Y1.067bn, Sales of electronic products were particularly firm in its main markets, in spite of the strengthening of the yen during the period.

Television sales rose 16 per cent as Japanese consumers were attracted to the new format wide-screen TVs. Sales of other products, such as rechargeable lithium ion batteries used in portable electronic products, the company's new video games machine called the PlayStation, telephones and semiconductors also contributed significantly

earlier, while revenues climbed

Earnings were lifted by

Indonesia's hosting of the Asia

Pacific Economic Co-operation

meeting at Bogor in November

last year. Indosat installed hundreds of additional lines

during the conference for min-

isters and journalists from

abroad who attended the meet-

ing. The meeting of Opec in Bali soon after also helped lift

Earnings per share in 1994

18.8 per cent to Rp909.3bn.

the pictures group saw reve nues fall 5 per cent. The yen's rise, however, continued to dampen sales. Sony said that the yen's average 9

nary shares.

against sterling restricted its sales growth during the third ment businesses were mixed. quarter. If the yen had remained the same as in the decline in the pictures group. Sony blamed the rising yen previous third quarter, consolidated sales would have seen an increase estimated at Y52bn over the reported figure.

In the year to March, Sony expects to post a group operating loss of Y160bn and a pretax loss of Y205hm due to a write-off in the second quarter of Y265bn in goodwill associated with the pictures group. The consolidated net loss is forecast to amount to Y285hn while sales are expected to increase by 5 per cent to

held a 48.25 per cent interest during the first half, fell to A\$66.3m from A\$89.6m, due to lower US dollar prices and the effect of the stronger Austra-Apec meeting helps Indosat to rise 14.9% lian dollar. The complex deal between WMC and US-based Alcoa,

Wellington. Net earnings for the nine months to December 31 were up 16.9 per cent to NZ\$451.3m. Mr Roderick Deane, chief trolled by Bell Atlantic and executive, said the company growth in revenues, spurred by sterday's announcement that its Pacific Star Mobile subsidiary had become the first independent provider of services to the cellular network of Tele-

ciency and cutting costs in a corporate restructuring programme which shaved Y54.5bn The company expects conditions to improve this year in Japan and Europe while the US market is likely to remain

CS First Boston Earnings to stop marketing at WMC more than equities in Tokyo doubled By Niidd Tait in Sydney

By Gerard Baker and Emiko Terazono in Tokyo

Shares in Western Mining The prolonged slump in the Corporation, one of Australia's Japanese stock market claimed largest mining companies, jumped sharply yesterday another victim yesterday when CS First Boston, the US-based after the group announced an equity-accounted profit after investment bank, announced that it was withdrawing from marketing of equities in Tokyo. tax but before abnormals of A\$140.9m (US\$104.84m) during The company said the move reflected depressed trading the six months to December. With the results exceeding most analysts' forecasts, WMC shares rose 30 cents to A\$6.90. conditions in the last few years as the Tokyo equity market continues to stagnate.

The company promised an The decision to close the Japeven stronger performance in the second half. anese research-based equities operation is part of a global The first half result comrestructuring announced by the company's board of direcpared with A\$66.3m in the cor-responding period of 1998-94, and was struck on operating tors on Monday.

"This decision is very regret-table, but it is based on a CS First Boston group global strat-egy to specialise in our niche revenue of A\$1.03bn, 31.8 per cent higher than a year ago. Earnings per share, on a fullydiluted basis, increased to 12.9 businesses," said Mr Toyoharu per cents from 5.7 cents. Tsutsui, the branch manager of The profits jump was largely CS First Boston (Japan). The company said it would due a big turnround on the nickel side, although the gold

continue with its equity-related interests' contribution also derivatives business as well as rose significantly and Olympic fixed income activities. It intends to maintain its seats on the Tokyo and Osaka stock and the petroleum side also posted higher results. The nickel division turned exchanges and will continue to take stock orders on an unsoliin an operating of profit of A\$81.5m, compared with a

cited basis. "We were just told this morning, although we weren't given all the details," said one stunned analyst at the company, "but with other companies leaving Tokyo it will be hard to find another job." CS First Boston (Japan)

recorded the fifth-highest operating revenue of all foreign brokers in Japan in the year to March 1994. A healthy performance in the bond market, where the company is particu-larly strong, helped it to return profits of Y8.6bn (\$36.5m), against a loss of Y27.0bn in the

previous year. The company is the third foreign broker to announce its withdrawal from equity sales in Tokyo in the last six

Last autumn, Kidder Pea-

body and Prudential of the US both closed their Tokyo equity operations completely. Their seats on the Tokyo Stock Exchange are to be taken by Smith New Court and Paribas

· Bucalli Le.

Capital Markets. Since the heady days of the financial boom of the 1980s, the Japanese stock market has been in steep decline. Equity trading volumes, which averaged 1bn shares a day in 1989, ummeted to just 350m shares day last year. In the last four months, volumes have fallen further, to around 280m shares

a day. Foreign analysts estimate that it is now highly unlikely that any foreign institution is making money in Japanese equity operations because of

these low volumes.

Much of the business of foreign companies is in equity sales to foreigners, and in spite of an increase in foreign buying in the last few weeks, over all foreign interest in Japanese stocks remains weak.

In the past, most foreign companies in Tokyo were eager to be represented in all the principal securities fields. but the CS First Boston move represents a shift to a more specialised approach.

Between the domestic and foreign brokers, there's just too much competition," said one official at a European institution in Tokyo.

The decision by CS First Bos-

ton will heighten concerns about the prospects for the Tokyo market. Since the downturn began only a few foreign companies have left the sector, and no domestic brokers have closed at all, in spite of the fact that only a handful are currently making profits.

"There is no doubt that the current capacity in the market was appropriate for the boom years, said one broker yesterday, "but it is now excessive, and there is clearly a long way to go before it is fully elimi-

Strong sales growth lifts Metro Pacific 28%

Metro Pacific, the Philippine flagship of First Pacific, the Hong Kong-based conglomerate, announced yesterday that net profits for 1994 rose 28 per cent in 1994 to 235.4m pesos (\$9.47m) on turnover 49 per cent higher at 8.8bn pesos.
The results were buoyed by pany's packaging, bottled Fort Bonifacio former military water and cocoa subsidiaries.

Earnings per share in 1994 rose to 13.67 centavos from 13.60 centavos in 1993.

Nippon Telegraph and Telephone allowing Metro to enter the Philippine cellular phone and local exchange sector had improved Metro's prospects for long-term earnings growth, said Mr Ricardo Pascua, Metro Pacific president. This week a consortium led

with, among others, Japan's

by Metro Pacific paid the first half of the 39bn peso bill for

Metro shares closed steady yesterday at 3.30 pesos while the Manila stock exchange The recent signing of a mem-composite index dropped by 40 orandum of understanding points.

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were Rp303.1 and \$1.38 per markets, writes Terry Hall in

com Australia.

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EURO MEDIUM TERM NOTES SOCIETE GENERALE ACCEPTANCE NV GBP 20,000,000 DUE FEBRUARY 15TH, 1995 ISIN CODE XS0048901598

Dam copper/manium busin

A\$20.5m loss last time. WMC said that the US dollar price

realised was almost 60 per

cent higher than a year ago.

and averaged US\$3.06 a 1b.

Volumes sold were 56.7 per cent higher at 36,240 tonnes -

in large part, a result of

WMC's capacity expansion

mplemented during the recent

On the gold side, operating

profits rose to A\$57.4m from

A\$32.8m, with WMC's gold sales for the six mostles rising

10.2 per cent, to 429,000 ounces. The Olympic Dam

operation saw a profit of

A\$38.3m, up from A\$36.8m, with the effect of higher cop-

per prices being offset by

lower volumes sold and a

lower realised urantum price.

The petroleum interests con-

tributed A\$12.1m against

The contribution from Alcoa of Australia, in which WMC

which will see WMC's stake in

Alcoa of Australia fall to 39.25

per cent but give it 40 per cent

in a range of international bauxite and alumina interests

owned by the US company.

Net interest earned was

pared with a A\$5.7m charge

last time. However, the provi-

sion for grass roots explora-

tion rose significantly, to A\$43,3m from A\$30.2m,

largely due to oil drilling in Malaysia.

took effect in January.

doldrums.

A\$2.9m.

Notice is hereby given Notice is nereby given to the Noteholders that from August 15th, 1995, the Interest Rate was 6.125 W.A. with an Interest Amount of GBP 3,087.67 per denomination of GBP 100,000.

The Final Redemption Amount applicable upon Redemption of each Note was:

GBP 46,134 per denomination of GBP 100,000

Payment of Interest and reimbursement of the Principal due on ebruary 15th, 1995 was made in accordance with Condition 6 "Payment" of the Terms and Conditions of the Notes.

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LEGAL NOTICES IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

G National War Street, on

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IN THE MATTER OF ENGLISH & AMERICAN INSURANCE COMPANY LIMITED IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that on 15 December 1994, the Scheme of Arrangement between English & American Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was approved by Scheme

On 25 January 1995, the High Court sanctioned the Scheme of Arrangement as approved by Scheme Creditors.

On 31 January 1995, the United States Bankruptcy Court for the Southern District of New York granted a permanent injunction order under section 304 of the United States Bankruptcy Code, providing for the enforcement of the terms of the Scheme of

On 8 February 1995, the High Court ordered that the winding-up petition presented against the Company be dismissed and the appointment of provisional liquidators to the Company be terminated.

On 8 February 1995, the order made in the High Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies in England for registration. The Effective Date of the Scheme of Arrangement is therefore 8 February 1995.

Anthony James McMahon and Roger Smith, partners in the firm of chartered accountants, KPMG, and formerly the joint provisional liquidators of the Company, were appointed Scheme Administrators on 10 February 1995.

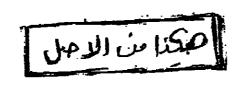
The members of the initial Creditors Committee are:

The Institute of London Underwriters The International Policyholders Association Lloyd's Insurance Brokers Committee Lloyd's Underwriters' Association Participant Run-Off Limited Fireman's Fund Insurance Company Dow Coming Corporation Hill Wyme Troop & Meisinger Anderson Kill Olick & Oshinsky Policyholders Protection Board

Dated: 10 February 1995 Clifford Chance

200 Aldersgate Street London EC1A 4JJ Solicitors to:

Anthony James McMahon and Roger Smith Scheme Administrators of the Company



gain - or lose - from price

changes. This is the price

Since a futures contract

costs very little, the money an investor would have spent had

he bought the physical com-

modity can instead be invested

in money market instruments

called the collateral return.

The third type of return -

roll return - is derived from

rolling forward existing futures

The futures contract is often

negatively sloped, reflecting the fact that commodity pro-

ducers are willing to accept a

lower future return to remove price risk. If the market price

has not changed by the time the contract ends, the investor gains the difference between

the actual price and the

futures price, and he continues

to do so as he continues to roll

over the futures contracts. Unfortunately, commodity prices can fall - and so the

futures contract will be miled

forward at a loss. The futures

curve can also flip and become

positively sloped, again incur-

Last year, the "total return"

Goldman Sachs Commodity

Index (GSCI) rose by 5.3 per

cent, underperforming spot

prices which rose by 10 per

cent. This was due to the fact

that the roll return was nega-

tive because the curve was pos-

itively sloped. This year the

futures curve has been flip-

ping. So far, the GSCI is

roughly flat on the year. Indus-

try morale is still high,

although confidence will be

tested if the recent falls in

commodity prices are not sim-

ring a loss.

return.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

tal is left to Japan's tiny ven- their own profit and loss

Softbank.

Banesto reports Pta12.5bn loss for 1994

By Tom Burns in Madrid

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N. 23

Marketon and the second

First Boston

stop marketinities in Toky Banco Español de Crédito Pta12.5bn (\$95.4m) in 1994, in line with estimates.

The bank was rescued by the domestic financial sector last year and acquired by Banco de Santander.

in the first half of last year, Banesto posted losses of Pta21.8bm, while in the last six months it recorded net profits of Ptag.3bn.

The strong second-half recovery reflected the benefits of the rescue package and improved

Mr Alfredo Sáenz, appointed chairman of Banesto following (Banesto), the troubled Spanish the Bank of Spain's intervention in December 1993 and confirmed as chief executive by Santander after its purchase of the bank in April 1994, said there had been "two distinct phases" last year.

Operating banking income in the first half of 1994 showed a loss of Pta6.8bn and a profit of Ptal7.3bn in the second half, to give a full-year operating profit of Pta10.5hn.

Last year's results were not comparable to those of 1993, when Banesto's losses were

management control under the put at Pta577bn. Its then chairman, Mr Mario Conde, was ousted by the Bank of Spain after an official inspection revealed that Banesto had over-valued its assets.

> The turnround last year was largely based on the rescue package. This involved a Pta180hn capital injection, the purchase of Pta285bn of nonperforming assests by the Deposit Guarantee Fund (the state-run scheme which uses contributions from the country's banks to insure deposits) and a Pta315bn soft loan over four years to offset current

In addition to a management

drive centred on bad debt holding in the Portuguese recovery, the bank's finances were bolstered by reduced costs and disposals of industrial assets.

Mr Sáenz told the annual meeting yesterday the institution would concentrate on core banking activities, aimed almost exclusively at the domestic market. Its chief set is its extensive network of 2,246 branches.

Mr Sáenz expects Banesto to post profits of some Pta20bn from ongoing ordinary banking activities this year. It will also earn a further Pta20bn from the realisation of capital gains from the sale of its 50 per cent

bank Banco Totta e Açores. But Banesto would not be able to pay a dividend before 1998, said Mr Sáenz, until it had built up reserves from zero. In addition it would not be "ethical" to pay a dividend

while Banesto was receiving

Santander has reduced the 60 per cent stake of Banesto that

account, undated daily.

be aggressive," he says.

Tuman nature being what it is, however,

the faith in the founders'

unheard of in Japan, have been

crucial. Softbank shares equiv-

alent to the value of the pre-

vious year's profit increase -

\$10m this year - are handed

out at a nominal price to the

heads of the group's 60-odd

profit centres. Such schemes

are not easy to operate in

Japan, where there is a legal

ban on companies owning their

own shares. The only way that

Mr Son can get around this

restriction is to distribute

Share incentives, almost

vision to motivate them.

Softbank's remuneration is

high by Japanese standards,

with profit bonuses in some cases rising to \$300,000 a year

above base salary. However,

Mr Son never discusses money

with recruits until they accept

the support of a soft loan.

it bought in April last year to just under 50 per cent after pla-cing equity with Santander shareholders and with a core of friendly institutions, including Royal Bank of Scotland and

ter, up 13 per cent from Bt15.8m in the year-earlier quarter.

Expenses rose 12 per cent to Bt16.5m from Bt14.7m. However, these gains were masked in the net result by a steep drop in concession income (the difference between the list price and the lower, purchase price of capital items such as aircraft and parts). The airline booked an esti-

Thai Airways International,

Thailand's national airline,

saw a 14 per cent decline in

net profit, to Bt931.7m (\$37.3m) in the first quarter to

December 31 1994, compared

with Bt1.09bn in the year-earlier period, AP-DJ reports

Total revenue rose to an estimated Bt17.8m in the quar-

from Bangkok.

mated Bt13m in concession income in the latest quarter, down 98 per cent from Bt762m a year earlier.

Thai Airways books such differences as income. The airline recently changed

its accounting policy to book the principle of working for this unearned income over 14 "I want people with a passion for emerging technology, I years instead of as a lump sum in the quarter in which the purchase was made, resulting want them to feel that we are in the sharp decline in such all taking part in a revolution. They must believe; they must bookings. Analysts said the latest

result was in line with expec-For the current fiscal year,

people need more than the airline is forecasting net profits of Bt4bn, up 29 per cent from Bt3.1bn a year A consensus of analysts'

estimates suggests the airline will make about Bt3.2bn in the current year. The airline's load factor, a measure of capacity utilisation, rose to 70.3 per cent in

the first quarter, from 69.6 per cept in the fourth quarter of the previous year, the company said. Overall, analysts see a region-wide recovery in the airline sector, driven by rising

shares from his personal stake. consumer spending and robust economic growth. Thai Airways is especially well-positioned to benefit from rising regional travel because enue from regional routes, one

analyst said.

Profits drop | Bankers hail 'total 14% at Thai return' concept Airways in first quarter

By Graham Bowley

Investment bankers keen to package commodities as a respectable asset class for long-term investors have been unruffled by last week's sharp drop in base metal prices. They point to the concept of "total return", devised to show that, like bonds and equities,

commodities can offer yields as well as short-term price specu-Many in the derivatives industry think this concept, devised by Goldman Sachs in

the late 1980s after it recognised that the large oil trading houses were making big profits by carrying forward futures positions, will play an impor-

DERIVATIVE INSTRUMENTS

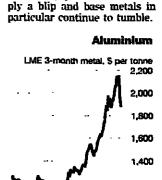
tant role. It attempts to show that it is best to invest in commodities through the futures markets. By doing so, commodities can offer three types of return: price return, roll return and collateral return.

Mr Neil Bresolin, in charge of commodity investment products at Goldman Sachs in London, says that investors should apply the same principles to commodities as to bonds and equities.

"You don't put cash under vour mattress because it loses value," he says; you buy bonds or equities and receive interest or a dividend as compensation for locking up your cash. Simply buying a physical commodty would be the same as putting cash under your mattress.

However, buying the future gives investors the chance to Copper

LME 3-month metal. \$ per toppe 2,200 -1,800 ----



Softbank goes from strength to strength

An atypical management approach is behind the group's success, writes William Dawkins

verything about Mr Masayoshi Son and the company he founded 14 years ago, Softbank, Japan's largest computer software distributor, challenges the staid traditions of Japanese manage-

His directness, Softbank's share incentive scheme, and the lack of strict hierarchy are a striking contrast to the deferential ways and seniority-based salaries that are the cliche of Japanese management

Mr Son's hero is Mr Bill Gates, chairman of Microsoft, the world's largest software company. "He's never satisfied; he is always looking for more. Gates knows how to get things done," says Mr Son, president

Softbank is the best known of a new generation of small, high-technology companies that have introduced fresh management ways to Japan in recent years. Its experience is illustrative

of why the barriers to entrepreneurship, even in modern Japan, are still higher than in other leading economies. Mr Son has found that these barriers - more government

regulation than ingrained business culture - have slowed but not prevented Softbank's progress from two part-time workers in 1981 to 630 staff now. In the year to March, it esti-

mates net profit of about \$20m

Softbank's rise shows that Tokyo's over-the-counter market in shares, widely accepted as a precondition for a thriving small business community, is

working well. The company is one of the top performers of the record 107 companies which joined the junior market last year, nearly twice as many as in

The rise in its share price from \$111 at last July's flotation to about \$165 has made Mr Son, owner of 70 per cent of Softbank, worth about \$2bn on paper. It has also created several millionaires in dollar terms among his top executives, and helped the company fund an acquisition spree. Bolstered by the \$200m it

raised from the flotation, Softbank made its first takeover at the end of last year, paying \$202m for Ziff-Davis Exposition and Conference, a US trade show company. It narrowly failed to buy the parent, Ziff-Davis Publishing. On Monday, Softbank spent

\$800m on the computer trade show of Interface, a US exhibition group, to be funded by a mixture of new equity and bank borrowing.

The funding details have yet to be worked out, but it looks as if Softbank will be tapping the OTC for Y30bn (\$304m), the largest new share issue on Japan's junior market



Masayoshi Son: T want people with a passion for technology

government decree. for five years for his flotation, which was badly needed to raise equity to reduce the company's ndence on bank loans.

All flotation candidates have to stand in a finance ministry queue which rations new issues, one of the several ministry methods of putting a floor under equity prices.

By chance, the queueing system helped Softbank, saving it from the 1990 stock market collanse But Mr Son speaks for many aspiring entrepreneurs when

he dismisses the queueing system as "ridiculous".

The OTC's rules are designed to limit new entrants to those on turnover of nearly \$500m, Yet Japan's OTC is not work- companies seeking develop- dence is supported by Soft- neurially-minded managers representing 50 per cent of ing as well as it could for Soft- ment, rather than start-up capbank's organisation into will find little future for them- Japan's retail-software namket: bank. Mr. Son had to wait, by ital. The provision of seed capi-

money in the US. His first capital came from a

ture capital market.

Mr Son believes it is unlikely

that he would have found seed

capital in Japan, and so raised

pocket translator he invented, with the help of his professor, while an economics student at the University of California in the 1970s. Mr Son sold the patent for \$1m to Sharp, the lapanese electronics company. The deal helped Mr Son find further funding when he returned to Japan in 1981. Japanese banks rarely lend

on earnings forecasts, prefer-ring instead cash or property collateral. But the word of a senior Sharp executive, involved in the purchase of the translator patent, persuaded Dai-Ichi Kangyo, the Japanese bank, to lend Mr Son \$750,000 without collateral. Finding dedicated and entre-

preneurially-minded Japanese staff has, says Mr Son, been surprisingly easy. Mr Son is something of an outsider: he is of Korean descent, and faced several years of wrangling with the government to obtain Japanese citizenship. He has sought out other outsiders, avoiding graduates of the top universities, for example, on the grounds that energetic peo-ple are more likely to be found outside the establishment.

Employees' sense of indepen-

Unless Japan makes share incentives easier, it will, he says, remain "like a socialist country", in which entrepre-

U.S.\$700,000,000



SUMITOMO BANK INTERNATIONAL FINANCE N.V.

Guaranteed Floating Rate Notes

due 2000

Guaranteed on a Subordinated Basis as to Payment of Principal and Interest by The Sumitomo Bank, Limited

In accordance with the Description of Notes and Guarantee, notice is hereby given that the rate of interest for the three months from 16th February, 1995 to 16th May, 1995 has been fixed at 6.5625 per cent per annum and that the coupon amount payable on Coupon No. 19 on 16th May, 1995 will be US\$162.24 per note of US\$10,000.00, US\$1,622.40 per note of US\$100,000.00 and US\$16,223.96 per note of US\$1,000,000.00.



The Sumitomo Bank, Limited

State Bank

U.S. \$500,000,000 National Westminster Bank (Incorporated in England with limited liability) Primary Capital FRNs (Series "B")

State Bank of New South Wales Limited

US\$250,000,000

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(Previously US\$250,000,000 due 1998)

(Guaranteed by the Government of the State of New South Wates)

Notice is hereby given that the rate of interest for

the period 16th February 1995 to 16th August

1995 has been fixed at 6.8125% per annum.

US\$10,000 note will be US\$342.52 and per

Interest payable on 16th August 1995 per

US\$100,000 note will be US\$3,425.17.

Agent: Morgan Guaranty Trust Company

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from February 16, 1995 to August 16, 1995 the Notes will carry an Interest Rate of 6.8125% per armum. The Interest payable on the relevant Interest payment date, August 16, 1995 against Coupon No. 21 will be U.S. \$3,425.17 and U.S. \$342.52 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

February 16, 1995

February 16, 1995

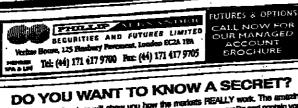
JPMorgan

HEMISPHERES FUNDING CORPORATION Guaranteed Asset Backed Floating Rate Notes, Series 1994-A

U.S.\$300,000,000 Interest Accrual Rate Coupon Amount

U.S.\$5,037,770.83 Series 1994-A Notes want should be used when determining the This Interest Accrual Rate and Coupon Amo interest payable on Tuesday, May 16, 1995.

Bankers Trust Company , as Tractor



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ÖSTERREICHISCHE POSTSPARKASSE US \$100,000,000 Range Floating Rate Notes due 1996

Cus 1995

For the interest period November 15th, 1994 to February 15th, 1995 the coupon emounts payable February 15th, 1995 have been calculated as follows: US 30.00 per US \$1,000 note. US \$0.00 per US \$10.00 note. For the interest period February 15th, 1995 to May 15th, 1995 interest will accrue at 7.0925% for each day that Libor falls on or within the range 2.5%—5.5%. Swigs Bank Corporation

London Raterence Bank

TIS \$100,000,000

Continental Cablevision, Inc. Senior Subordinated Floating Rate Debentures due 2004

In accordance with the provisions of the Debentures, notice is hereby given that for the interest period February 15, 1996 to May 16, 1996 the Debentures will carry an interest rate of 5% 5 per annum. Interest payable on the relevant Interest payable on the relevant interest payment date May 15, 1996 will smount to US \$2,302.96 per US \$200,000

U · BANQUE PARIBAS 2100.000.000

HING MORTGAGE NOTES IT PLC Floating Rate Notes due 2021
Notice is hereby given that there will be a principal payment of 22,570 per 532,250 Nose on the thereot payment data March 14, 1995. The principal amount outstanding per Note will be \$28,680. By: The Chare Mediatas Sank, N.A. Landes, Agent Bank

U.S. \$300,000,000

Republic

of Indonesia Plasting Rate Notes due
Flooting Rate Notes de
Flooting Rate Rate
Flooting Rate
Fl and U.S. \$10.000.

By: The Chase Maniation Bank, H.A.

Kingdom of Sweden

February 16, 1995

US\$1,500,000,000 Floating rate notes 1996

Notice is hereby given that for the interest period 16 February 1995 to 16 May 1995 the notes will carry an interest rate of 6.1875% per annum, interest poyable on 6 May 1995 will amount to US\$15.30 per US\$1,000 note.

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The London International Financial Futures and Options Exchange

New attack on Saatchi founder | Wellcome

By William Lewis

Saatchi & Saatchi has given the Stock Exchange details of confidential information allegedly passed by Mr Maurice Saatchi, the co-founder and former chairman of the troubled advertising company, to a journalist. The company believes the information, allegedly dis-closed by Mr Saatchi in January 1994 in a memo to Mr Ivan Fallon, then deputy editor of the Sunday Times, may have broken the Stock Exchange's

Model Code.
On Tuesday Saatchi said it had given the exchange details of a share transaction allegedly carried out on behalf of Mr Saatchi which may also have broken Stock Exchange rules. The Fallon memo came to light following an examination

Barclays

buy-back

Barclays, the UK's largest

bank, is likely to seek powers

at its annual meeting in May

to buy back its shares giving it

the freedom to return any

excess capital to its sharehold-

Barclays, which reports its

annual results on March 7, is

seen by analysts as the bank

most likely to make a one-off

distribution, either through

a buy-back or a special divi-

Although it could distribute

capital in a special dividend in

March, directors are thought

more likely to wait to gain

permission for a buy-back. It

redeemed £557m (\$863m) of

loan stock, and £322m of pref-

Barclays, which analysis

estimate made pre-tax profits

of about £1.8bn last year, is

not under immediate pressure

to distribute capital, but may

do so within two years unless

it makes a large cash acquisi-

The bank has been shrink-

ing assets at the same time as

growing capital through

retained earnings. It is expec-

ted to report a tier 1 ratio of

core capital to risk-weighted

assets of about 7 per cent, well above the regulatory mini-

Sir Brian Pitman, Lloyds

Bank's chief executive, said at

its results on Friday that its

tier 1 ratio of 7.8 per cent

would have been excessive.

but for its forthcoming £1.8bn

purchase of Cheltenham &

National Westminster Bank

gained permission to buy back

its shares at its annual meet-

ing last year. However, it is

unlikely to exercise these pow-

ers when its reports its results

investment banking arm of

would have scope to re-pay

£416m of equity in two years'

time, and a further £600m a

year later, even it it wanted to

Mr Hugh Pye, BZW analyst,

said Barclays could afford to

pay a special dividend this

year, but there was "no real

advantage to be gained by

doing it". He believed it was

more likely to return capital

once the bank had been fully

Barclays de Zoete Wedd, the

Barclays, has calculated that it

on February 21.

erence shares, last year.

to seek

powers

By John Gapper, Banking Editor

ers next year.

Mr Maurice Saatchi's new agency, temporarily dubbed New Saatchi, announced it had won its first two accounts: Mirror Group newspapers and Silk Cut cigarettes, owned by Gallaher, a unit of American Brands. Both are former clients of Saatchi & Saatchi's London agency. Silk Cut has been closely associated with Mr Saatchi's brother, Charles, who is still on the Saatchi &

Saatchi & Saatchi said billings were worth £7.9m and £6.8m respectively, and represented less than 3 per cent of the London agency's billings. It announced new accounts totalling about the

by Saatchi lawyers of thousands of documents and computer files after Mr Saatchi's departure from the company last month.

The costs of running Mr Saatchi's private office have also been estimated. Calculations show that in 1993 costs associated with Mr Saatchi's role as chairman totalled

In 1994, these costs fell to £722,000, but included: Salary and related costs of

2356,000 • £13,000 on two Bentley Tur-bos, one kept in London and one in Cap Ferrat, France; plus a chauffeur with a car,
• £87,000 on travel, meals and accommodation and £46,000 on

entertainment A friend of Mr Saatchi said

yesterday that Mr Saatchi was in negotiations to buy both Bentleys for £41,000. He also said Mr Saatchi had never actually sent the memo to Mr Fallon. "Maurice was just letting off steam when he wrote

When the memo was written Saatchi was in a closed period. before the publication of its 1993 results. In a closed period, the actions of directors of are

severely curtailed.
"It may not have crossed your mind during our conversation yesterday (I hope not) that I was exaggerating about the state of affairs here". Mr Saatchi wrote in a memo to Mr Fallon dated January 6 1994. Mr Saatchi wrote that November 1993 management accounts

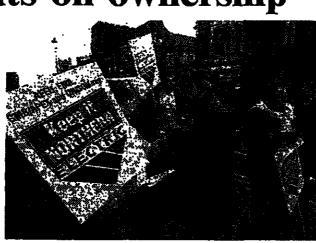
Northern Electric EGM ends limits on ownership

Yesterday for the first time in the two months since the con-glomerate Trafalgar House announced its hostile £1.2bn (\$1.86bn) bid for Northern Electric, small sharebolders had their first - and possibly last chance of direct contact with

the board. The meeting was called to consider whether Northern's articles of association should be amended to remove the limit on anybody owning more than 15 per cent of the issued share capital.

More than 1,000 small shareholders, representatives of the north-east of England regional dimension which Northern's board has stressed in opposing the bid, streamed into Newcastle's City Hall for an extraordinary meeting. For them the burning issues were: should Trafalgar House be offering a higher price for their company? Are privatised compa-nies intrinsically different from other pics? Would removing the bar to any single stakeholder owning more than 15 per cent of shares not play into

Trafalgar's hands? Mr David Morris, Northern's chairman, had no difficulty with these questions; he did



not tackle them, since they were deemed unconnected with the one resolution before the EGM. In a brief introductory speech Mr Morris said the board supported the restriction's removal. It had no wish to rely on the articles of association to fight what it considered an inadequate and unac-ceptable bid. "I must stress that the vote in respect of the resolution is not a vote on the

offer," he added, anticipating the inevitability of questions focusing on the bid.

On a show of voting cards in the hall, the resolution was substantially defeated. Rut proxy votes by the institutions which hold more than 80 per cent of Northern's shares gave a result of 41.8m for the resolution to 1.18m against. The change takes effect when the government's golden share

Mersey Docks rises 61%

Mersey Docks and Harbour Company, the UK's second largest port group, lifted pre-tax profits by 61 per cent from £20.9m to £33.6m (\$52m) in 1994, writes Ian Hamilton Fazey.

The result includes a first full-year contribution of £11.6m from the Medway Ports in Kent, acquired in October 1993.

Tonnages at Sheerness, the main Medway port, increased slightly. The main operational oblem was to replace Olau Line's ferry service after a Dutch labour dispute. The new Merseyowned service will expand from a freight only of about 13.

Mr Gordon Waddell, chairman, said £35m of capital spending was planned, split equally between the Mersey and Medway. Gearing rose from 14.4 to 19.1 per cent, and Mr Waddell said 50 per cent would be acceptable. This leaves leeway for about another £50m of debt. Turnover grew by 32 per cent to £129.9m

(£98.4m). to Vissingen in the Netherlands, which closed year, with earnings per share in the 28p to 31p range, depending on tax. This would give a p/e

NEWS DIGEST

European Colour in Swiss buy

maintain a tier 1 ratio of 8 per European Colour, the chemical colour manufacturer, is acquiring the customer list and process technology for the Dyecoms range from Ciba-Geigy for £4.3m (\$6.7m). The consideration will be adjusted upwards to reflect the value of stocks. The purchase will be funded by a 3-for-11 rights issue of

8.27m new shares at 57p each,

to raise £4.4m net. The balance will be met from cash resources and hank facilities In addition, European Colour will grant Ciba-Geigy a licence for separate technology for the manufacture of pigments used in liquid packaging inks.

> **GPT** expansion GPT, the telecoms equipment

group jointly owned by GEC and Siemens of Germany, has established a new division to exploit the rapidly growing market for smart cards. Smart cards are the size of a bank card but contain semicon-

ductor chips capable of storing and processing information. Their most common use is as navnhone cards. The division will be based in Coventry.

High-Point in black

A return to profits in the US and an improvement in Asia and the Pacific rim enabled High-Point, the engineering consultant, to return to the black in the six months to November 30.

The pre-tax result was £221,000 (\$342,550) against £93,000, and losses of £442,000 for the year to May 31.

forecasts sales increase

By Daniel Green

Wellcome fired another salvo a £9.1bn (\$14bn) hostile bid by Glaxo, its pharmaceuticals rival, with sales projections higher than expectatio

It said Retrovir, the Aids drug, would recover from the declines of the last two years because of new uses in combination with other drugs. Sales of Lamictal, the epilepsy drug, would increase from £28m in 1994 to £268m in 1998.

Mr John Robb, chairman and chief executive, said the projections, contained in a response document, were con-servative. He called it a "response" document rather than a defence document because be acknowledged that the company would get taken over. "They confirm that Glazo's bid undervalues the company.

Some of Wellcome's sales projections were higher than estimates by City analysts, including that for Zovirax, the company's top selling drug, which loses US patent protection in 1997.

There was concern at the assumptions made by Well-come, particularly that prices and doses of Retrovir would not change in spite of the launch of new products.

Wellcome has also assumed that Retrovir will not get approval for over-the-counter sales in the US, although such approval is an important part of its drive into over-thecounter markets through a joint venture with Warner-

Lambert of the US.

But Mr Keith Merrifield, group marketing director, argued that the fortunes of Wellcome's anti-viral drugs would be helped by growth in Japan and by new launches. The rapid growth in Lamic-

tal would be possible because of new approvals, while Retrovir prices had recently been raised twice in the US market. Another burdle to the Glaxo bid remained unresolved yesterday as the High Court adjourned until today its con-sideration of the application by the Wellcome Trust to sell its 39.5 per cent stake in Wellcome. Court permission is required because of the terms of the will of Sir Henry Well-

Wellcome's annual report, also published yesterday, showed there are 48m share options outstanding for Wellcome employees.

If all these become exercisable following a takeover it tors and staff a profit of up to at 176p. Shareholders, who £200m the equivalent of have the option of 162%p cash, approximately £11,000 each. retain the right to l Six Wellcome directors could 2.85p final dividend. make profits of up to £6m through a variety of options. premium of 29 per cent to with the aim of developing growth.

LEX COMMENT

Small companies

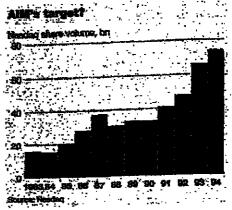
Competition has been good for the London Stock Exchange. When it first launched its idea for Aim as a market for small companies, the concept looked dud. Investors did not like the idea that Aim would be so lightly regu-lated that they might be swindled. And the exchange's motives for launching the market were suspect it seemed driven more by the need to please politicians, unhappy that the Unlisted Securities Market will close next

opportunities.

Then along came competition in the form of Easdaq, which plans a European market modelled on the US Nasdaq exchange. The Stock Exchange has now stolen most of Easdaq's clothes. A tougher line is being taken to stamp out fraud, but a relatively light touch maintained in other regards so that compliance costs are low. The Stock Exchange has also woken up to the virtues of marketing. The main difference with Easdaq is that Aim is still not being run for profit; that could put its profit-orientated rival at a big disadvantage.

year, than by an analysis of the commercial

Of course, just because the new concept is better than the old one does not guarantee



main oil c

doldrums, this is not exactly the best time to launch a new exchange. On the other hand, Aim will be boosted if the government extends to it the favourable tax treatment currently enjoyed by the USM. Having scratched politicians' backs by launching Aim, it is probably not too much to expect that politicians will now scratch the Stock Exchange's back.

Abbey National to set up unit trust subsidiary

By Allson Smith

Abbey National, the home loans and banking group, is to set up its own unit trust subsidiary, which will open for business at the beginning of next month.

The first product will be a single premium personal equity plan which will invest in a single UK unit trust. Abbey plans to launch a unit trust in the summer and a reg-ular premium Pep should fol-

In terms of banks and building societies setting up unit trust subsidiaries Abbey is a relatively late arrival, although it has had its own life assurance arm for almost two years. Other personal financial ser-

vices organisations that have established their own operations - most recently Halifax Building Society last month - have tended to set up life and unit trust subsidiaries

It is widely believed that Peps and unit trusts offer a promising area for growth, particularly against the background of a relatively flat housing market.

In 1994, net retail sales of unit trusts rose 20 per cent to £6bn (\$9.3bn). Mr Charles Toner, managing director of Abbey's retail divi-

sion, said that setting up the life insurance operation had been the priority for Abbey. Once the decision had been taken last year to launch a

unit trust, the target had been to make it available before the end of the current tax year at

the beginning of April.
One of the driving forces behind the move appears to have been defensive, outweighing the risk of merely transferring money into the new products from the bank's 10m retail savings accounts.

Abbey was expanding its financial planning services throughout its branch network last year and in the course of offering financial advice had to advise customers to make the best use of their tax allowances - through products such as Peps - before advising them about other investment products available through Abbey

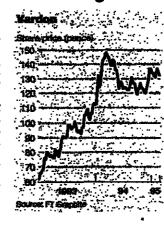
Vardon to buy Parkdean

Vardon, the rapidly growing leisure group, yesterday launched a recommended £17.8m (\$27.6m) offer for Parkdean Leisure, the holiday parks operator.
The deal will add a third leg

to Vardon's business. It already runs an attractions division, which includes Sea Life and the London Dungeon and an expanding bingo divi-

Vardon is offering new shares on a 13-for-10 basis, retain the right to Parkdean's

The paper offer represents a



Parkdean's closing price on Tuesday of 139p. Yesterday the shares gained 33p to 172p. Vardon was floated in 1992

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Mr Nick Irens, chief executive, said yesterday Parkdean fitted the strategy perfectly, as well as having strong growth prospects and a successful anagement team.

Parkdean, which runs holiday parks in Scotland and East Anglia, was floated in October 1993. Mr Graham Wilson, managing director, who led a management buy-out of the company in 1989, will be joining Vardon's board. He is accepting Vardon's paper offer for his Parkdean, and is undertaking to hold the Vardon shares for two years.

Both companies yesterday also announced strong profits

<u> </u>									– Dividends –		
·	Tane	war (Em)		10-15X Rt (End)		PS (p)	Current payment (p)	Date of population	Corresponding dividend	Total for year	Total last year
Ameritage Bros 28 wks to Dec 11	13.6	(13.4)	0.851	(0.81)	14.1	(13.5)	29	Apr 15	2.7	-	6.4
Beason 6 miles to Nov 30	17.5	(126)	1.2	(0.065)	0.77	(0.04)	0.12	Apr 28	0.1	_	0.33
Brightstane Props 40 Wks to Dec 31	0.88*	(-)	0.15	(-)	1.64	(-)	1.8	Apr 12	-	2.8	
ICC Bank &	87.7	(135') .	. 10.5	(10.05)	60.6	(Š9´)	14	Mar 2B	14	26	20
Mersey Docks	129.9	(98.4)	33.6	(20.9)	25.33	(1 38.61)	7.2	Apr 19	6.15	10.5	~~
Parkdean Leisture	11	(9.22	1,56	(0.81)	10.9	(6.9)	2.85	Mar 14	1.3	4.75	1.3
Varden Yr to Dec 31	30.2	(19.4)	7.39	(5.13)	7.1	(5.6)	1.125	May 5	0.825	1.5	1.125
investment Trusts	MA	W (p)		lagizide ngs (Six)	84	15 (p)	Carrent payment (p)	Date of . payment	. Corresponding dividend	Tatel for year	Total lest year
Firstury Underwriting 6 miles to Dec 31	90.8	(88.5☆)	0.226	(0.475*)	0.75	(1.58★)	0.6	Mar 22			1.35
SC Income Growth 11 miles to Dec 31	-	(-)		(+)		(-)	0.7大	Mar 31	-	-	1.33
factores	416.1	(507.7)	3.77	(3.52 [°])	15.3	(14.26)	1.8	Apr 4	1.5	13.7	13.4

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY Merger through acquisition of The Royal Bank of Scotland's investment management subsidiary, Capital House, with Newton Management Limited. Completion on 22 November 1994.

People in Business provided research, planning and advisory services to facilitate the people management, and the internal and external communication aspects of this



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Notice of Meeting

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the registered office of the Company on March 8, 1995 at 11.00 a.m. with the following agenda:

Presentation of the reports of the Board of Directors and of the Auditor.

Approval of the balance sheet and profit and loss accrual as of November 30, 1994. Discharge of the Directors for the fiscal period ended Novem-

ber 30, 1994. Election of Mr Steven Spiegel as a Director and Chairman of of the Board of Directors in replacement of Mr Thomas

J. Lucey, resigning. Re-election of Messrs John R. Verani, Takehiko Watanabe

Re-election of Messrs John R. Verani, Takehiko Watanabe, Thomas M. Turpin, John C. Talanian, Alfred F. Brausch and Jean-Paul Thomas as Directors for the ensuing year. Recommendation to the Annual General Meeting to approve the declaration of a dividend of U.S. Dollar 0.34 per share. If approved, the dividend will be paid on March 23, 1995. eholders on record March 8, 1995, ex-dividend on

March 8, 1995. Any other business which may be properly brought before the Meeting.

The shareholders are advised that no quorum is required for the items of the agenda and that the decisions will be taken at the simple majority of the shares present or represented at the Meeting. Each share is emitted to one vote. A shareholder may act at any Meeting by proxy. By order of the Board of Directors

to the Noteholders that from August 15th, 1994 to February 15th, 1995, the Interest Rate was 6.125 % P.A. with an Interest Amount of GBP 3,087.67 per denomination of GBP 100,000.

TERM NOTES

SOCIETE GENERALE ACCEPTANCE NV

GBP 20,000,000 DUE FEBRUARY 15TH, 1995 ISIN CODE

X\$0048901598

Notice is hereby given

The Final Redemption Amount applicable upon Redemption of each Note was :

> GBP 46,134 per denomination of GBP 100,000

Payment of Interest and reimbursement of the Principal due on February 15th, 1995 was made in accordance with Condition 6 "Payment" of the Terms and Conditions of the Notes.

THE PRINCIPAL PAYING SOCIETE GENERALE GROUP 15, Avanue Emile Reute LUXEMBOURG

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or derivatives. The vital question of the competitive resistant

of the competitive position market players is regularly With increasing market stresses and the coelerating pace of regulatory change it is imply not safe policy to be underinformed To receive a FREE sample copy contact:

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COMMODITIES AND AGRICULTURE

Russian oil export cartel launched | Bright future seen

By Anthony Robinson

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and Robert Corzine

The Russian oil industry yesterday launched a new oil exporters cartel, the Union of Oil Exporters. The organisation's declared aim of creating more "orderly" marketing of Russian oil exports has raised fears of restricted access to export pipelines for foreign oil companies with Russian joint

ventures. Mr Oleg Davydov, a deputy prime minister who doubles as chairman of the new cartel, used the launch to "dispel the apprehensions" of foreign partners in joint oil producing enterprises. "Access to export pipelines will be of a non-dis-

criminatory nature", he said. grouping has been formed after losses and maximise returns. Last year joint venture companies exported 9.7m tonnes of the total 89m tonnes of oil and 39m tonnes of oil products exported from Russia. The total of foreign- and joint ven-ture-produced oil was expected to rise to between 16m and 18m tonnes in 1995, all of which would be given access to the

export pipelines, he added.

Mr Davydov described the new union as "an open, noncommercial, non-governmental organisation which integrates foreign trade organisations and firms irrespective of any ownership form and state origin, including enterprises with foreign canital".

a highly selective winnowing out process among the several hundred oil companies that sprang up over the past few years. Many of these built up large clandestine fortunes through obtaining oil at low domestic prices, securing access to export pipelines and then selling the oil at close to world market prices. Such "disorderly marketing"

The second of th

often led to the dumping of "spot" cargoes at substantial discounts and damaged the reputation of the larger oil producing and trading compa-nies. The new cartel aims to co-ordinate the marketing arrangements of the main In practice however the new exporters to prevent such

Russia also wants to move from relying on spot market oil with international buyers. Mr Davydov said over 300

companies were considered for membership of the union but only 14, including oil majors Lukoil, Kommeft, Rosnefteinpex and Nafta Moscow, were included in the select group of major producers and exporters what he called "firms of spotless reputation. . . highly qualified exporters".

He said the UOE's concept of "orderly marketing" would not lead to Opec-style attempts to secure higher prices by enforcing output cuts and quotas.

per cent a year. Billiton suggests, moreover, that its estimate for lead demand could turn out to be very conservative if there is tance of electric vehicles. "It seems certain that the

South Africa.

By Kenneth Gooding,

Mining Correspondent

Lead and zinc markets can

look forward over the next two

years to the favourable pros-

pect of falling stocks and rising

prices, according to a major new study by Billiton Metals,

part of the Gencor group of

Annual demand for both

metals is forecast to rise to

between 1.5 and 2 per cent, fol-

lowing a 15-year period in which consumption of lead

grew by only 0.5 per cent a

year and that of zinc by just 1

first generation of electric

for lead and zinc

power source," say the authors, Ms Karen Norton and Mr Angus MacMillan. Storage batteries already account for 66 per cent of lead consumption in the western world compared with 49 per

hybrid in form, will employ

lead-acid batteries as their

cent in 1979. Zinc, like lead, is also increasingly relying on a single end-use for its consumption

Galvanising now accounts for about 48 per cent of west-ern zinc consumption, compared with 41 per cent at the top of the last cyclical upswing

"Although the construction industry remains the largest end-use market for galvanised products, the 2.2 per cent average annual growth rate over the period was largely fuelled by demand from the automo-bile industry, as manufactures

Western World Supply/Demand Balances (refined; '000 tonnes 1996(1) 1995(1) LEAD Supply Consumption Implied surplus 4,622 4,495 4,628 4,481 5,000 (deficit) Ending stocks (as weeks' consumption 127 147 (50) (100) (145) 7.5 4.4 37 Price (US cents/lb) 5,929 5.528 353 401 203 (235)(250)Ending stocks (as 13.5 9.9 14.3 12.1 55.3 44.4 45.3

worldwide invested consider- authors suggest, "the possible able resources in increasing the durability of vehicle structures. One of the most important measures adopted was the introduction of zinc coated steels in a variety of forms," the authors point out.

There is no potentially huge growth market for zinc to match the potential of electric vehicles for lead. Instead, the London EC3M 4BY, UK

growth in the use of aluminium body panels in automobiles poses a serious threat to zinc's major growth market towards the end of the decade

Lead and Zinc Market reports US\$400 or £250 from Billiton

Holy grain of the Incas wins converts Raymond Colitt on the growing market for quinoa and amaranto

nce the holy grain of the lineas and now food in space for IIS corrections. Food chemists say ducers are bracing themselves in space for US astro-nauts, a little-known grain from the Andean highlands called quinoa, and its relative, Amaranto, are creeping into the world health food market. And some food industry analysts say it could become one

of the world's major commer-

cial crops.

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In Ecuador, where the consumption of quinoa was scoffed at by the upper classes for decades, it is now found in supermarkets and used in processed foods. Not only are housewives rediscovering quinoa soup but mothers feed their babies a quinoa-based cereal. The Swiss food company, Nestlé, for several years now, has been marketing a version of its Nestum baby cereal made from quinoa and honey. The product, which is marketed in Peru and Ecuador. sells better than the company's

rice-based Nestum. Quinoa's renaissance is not confined to the Andean region. Its excellent nutritional value is also winning customers in North America and Europe. The tiny, disc-shaped grain has more high-quality protein than most other commercial

its protein is akin to that found in milk and is of a better quality than the common meat substitute, soya.

For these reasons, quinoa and amaranto are increasingly popular in health food stores and among vegetarians. The German health food company, Neuform, is registering 20 per cent annual growth figures in sales of their quinoa-based

Europe's largest distributor of amaranto, northern Germany's Allos company, has been importing the grain for over ten years.

Says Markus Hastenpflug of Allos: "It's hard to say whether there will be a boom in amaranto sales but I could see a repeat of the soyabean experience, which came from Asia and is now produced world-

Canada and the US produce about as much amaranto as South America and Mexico do. Cuba is also an increasingly important producer. Bolivia is probably the world's leading quinoa producer, although accurate figures are not avail-

Amid global competition, tra-

for tough times, despite considerable success in recent years. Says Francisco Valderrama head of Anapqui, an associa-tion of quinoa producers: "We are trying to confront growing international competition by diversifying our product pal-ette to include products such as ready-to-eat cereals or snacks. That way we can take advantage of our low labour and production costs".

ndean countries, with thousands of years of A experience in growing these crops, may still have an advantage over industrialised nations, which are still experimenting with new varieties of ouinoa. Cesar Contreras, quality control manager of Arrowhead Mills, a US producer of organic cereals: "We still prefer to sell the unprocessed whole grain quinoa from South America over the North American variety because of its better appearance".

Most members of Anapqui are poverty-stricken farmers who eke out a living on the windswept, barren Altiplano (or high Andean plateau). The quinoa plant can grow as high as 4,000m above sea level and is resistant to frost, whereas amaranto grows better in a

The resurgence of quinoa in the international market has provided farmers throughout the central Andean region with a viable alternative to growing coca or joining the crowds of hapless squatters in urban

Yet "the world supply of quinoa and amaranto is still very unstable", says Mr Hastenpflug, of Allos. Last year, he says, US production was small and Allos had to find substitute suppliers in Latin America. Because of its limited supply, the price of quinoa is still above that of most other major

For opinoa to make a real

impact on the international grain market, say industry experts, a big company would have to invest heavily in research and development of the product. Four years ago, Nestlé decided that the cost of promoting quinoa world-wide was too high. Samuel von Rutte, of Nestle's research division, Latinreco, says: "What you need is the kind of support that New Zealand put into promoting the Kiwi fruit".

The Ivory Coast relinquishes control of its biggest rubber plantation

The government of the Ivory Coast yesterday authorised the privatisation of its largest rubber plantation.

Socfinal-Koffy, a consortium of local and Luxembourg-based investors, has bought 60 per cent of Societé des Caoutchoucs de Brand-Bereby in a deal that values the company at \$34m. The government is keeping 20 per cent of the shares. Its partner, Michelin of France, retains 5 per cent and 14.8 per cent will be sold to the staff of the plantation and to the public through the Abidjan

stock market. The plantation has 13,400 hectares under rubber and a 30,000-tonnes-a-year processing plant at its complex near the port of San Pedro. The complex also takes rubber from 720ha of small-holder plantings. In addi-

well as some maize, coffee and cattle farming. Annual turnover up to 1991 was worth CFA Fr8.5bn (at the pre-1994 exchange rate CFA Fr50 was worth FFr1).

Recently there has been serious labour unrest among the 4,000 staff, who have been demanding improved pay and conditions.

This the second big divestment in the sector since last year's IMP-backed economic reforms made privatisation a priority and the 50 per cent devaluation boosted exports and the profitability of Ivorian agriculture. Last year the govermment sold 35 per cent of its 45 per cent holding in Societé Africaine de Plantations d'Heveas to a private Ivorian com-

pany. Octide-Finance. Rubber, like pineapples and bananas, is one of the non-tra-

-0.200 40.350 39.875

LONDON TRADED OPTIONS

\$16.40-6.42z \$17.00-7.03 \$16.77-6.80 \$18.32-8.34z

\$171-178 \$147-148

\$103-105 \$168-169 \$163-166

\$150-151

(171) 359 8792

478,50c \$414.0

\$157.5

140.00

249.50c

119.76p

\$355,10

2110.0 2141.0 2165.0

115.0p

115.0p 455.5m

\$680.0y \$682.5t \$435.0y £168.0q 100.85c

512p

+5.3

+15.0 +20.0 +21

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50 27

LONDON SPOT MARKETS

III OIL PRODUCTS NWE prompt delivery CEF (forms)

III. CRUDE OIL FOB (per berrel/Apr)

Dubel Brent Blend (detect) Brent Blend (Apr) W.T.L (1pm est)

Ges Of

Ges Of Heavy Fuel Of Naphthe Jet fuel Dissel

Gold (per troy oz)= Silver (per troy oz)= Pistinum (per troy oz.) Paliadium (per troy oz.)

Copper (US prod.) Lead (US prod.)

Cattle (live weight)† Sheep (live weight)† Pigs (live weight)

Lon. day sugar (raw) Lon. day sugar (wto) Tate & Lyle export

Barley (Eng. feed) Maize (US NoS Yello

72 115 170

. 40 80

NI COPPER (Grade A) LIME

2700 ... 2800 ...

ing fast under the diversification programme, which aims to reduce the West African country's dependence on cocoa and coffee for export revenue. The Ivory Coast, which is Africa's second largest rubber producer, after Nigeria, exports

In 1993-94 the Ivorian output total increased to about 87,000 tonnes, in spite of damage to crops caused by a tornado, and production in 1994-95 is forecast at 96,000 tonnes, thanks to to good rains and some new plantations. The area under under rubber is estimated at 75,000 hectares, of which about

57,000 hectares is in produc-

tory, technical assistance and

most of its rubber output.

Under a French aid-financed expansion programme the Ivory Coast CFA Fr3.65bn in immature plantations, a fac-

research station. The 50 per cent devaluation

of the CFA franc last January and the subsequent sharp rise in the world price of rubber have made rubber plantations attractive, although two other rubber companies offered for sale last year are still on the market.

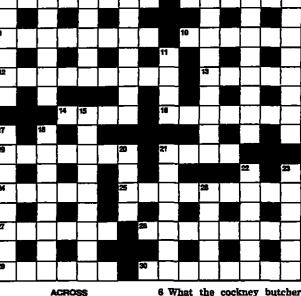
More importantly for producers, the price offered for their rubber by the government increased from CFA Fr120 a kilogram before the devaluation, to CFA Fr276 in June

The country's future privatisation programme includes three rubber plantations, the vegetable oil producer Plantations et Huileries de Cote d'Ivoire, leading companies in shipping, rice, sugar, textiles and gas and the state share in Shell Cote d'Ivoire.

COMMODITIES PRICES **JOTTER PAD** MEAT AND LIVESTOCK III LINE CATTLE CME (40,000lbs: cants/lbs -0.80 109.25 1 -0.85 110.50 1 -0.75 111.00 1 -0.75 98.50 -0.45 180.00 1043 27,384 1030 24,417 1038 11,508 1047 14,629 1050 15,870 - 15,970 - 4,777 15,870 14,100 227,332 III COCOA CSCE (10 tornes; \$/tornes E PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 1985 1,328 2,347 1416 38,559 11,905 1433 12,332 1,297 1450 4,886 484 1460 5,044 165 1465 6,581 179 78,135 18,886 84,474 371/0 365/0 28,894 364/4 358/4 16,058 36/0 336/2 21,894 343/4 341/2 1,663 354/0 351/0 1,136 18 1406 1428 1443 1462 1475 1486 1850-65 1855-65 BE PALLADERIN NYMEX (100 Troy oz.; \$/troy oz.) 1829-32 MAZE CST (5,000 bu min; cents/58lb bushet) ■ COCOA (ICCO) (SDR's/tenne) 42.775 +0.325 42.900 41.000 829 41.790 +0.050 41.875 40.600 3,386 42.600 +0.100 42.700 41.500 3,283 42.850 +0.125 42.900 42.000 1,486

CROSSWORD

No.8,688 Set by ALAUN



1 Return with the person's lost

key (8)
5 Keep talking, pet (6)
9 He's convinced there's a dire evil in drink (8) ing to get to half term (8)

10 From the outset, everybody 11 Small child responsible for a turned against her (6)

13 Such a feeling as "the hump" 17 Expostulates about the decay is (5) 14 By work alone, has lost one wicked ways (5,2)
19 Ploughs back the profits (7)

25 Book for a meal in a restau-rant that's accessible (3-2-4) 27 "Jack the Skinhead", a name to confure with (6)

course" (8) of France home (6) 30 Plan to get to the source: best interests at

1 A vigorous "Nonsense. Take the coach in!" (6) 2 Greeting the mother unhappily on return (6) Starts in the big corral (5) Upset by drinks that contain

didn't have for the dog? (5-4)
7 In the bottom row, put the nationality (8) 8 Working in a school and longcar accident (4) 15 The attendant is outside the burning building (9)

18 Flag pole (8) 20 Account for a slump being over (4) 21 "On strike." you storm. "It's a

Beheading the paramour is 22 Scratch the first two letters just too much! (4) out, dear (6) out, dear (6) which treacherous sly person? (6) where in Italy (5)

CRAMENTACIONA
RSRAMENTACIONA
ABSTRIACTI AREMA
LE TSPAC
LUMBAGE TREMBLE
Y I CRIU U S

LONDON METAL EXCHANGE Kerb close Open Int.
Total daily furnover ALLIMINATIM ALLOY & per tonne Close Previous High/low AM Official Karb close 2,748 503 Open int. Total daily turnover BL LEAD & per tonne Ciose Previous High/low AM Official Karb ciose Open Int. Total delly turnover 583-4 558-7 602/561 687-8 587-8 584-5 569-70 38,575 7,303 IN MICKEL (5 per tonne) 8420-25 8420-90 8575/8380 8440-50 8350-70 8270-80 8275-85 8300 Ciose Previous High/low AM Officiel Kerb closs **ENERGY** TRN (\$ per tonne) High/low AM Official 5320-30 21,281 8,179 M ZINC, special high grade (5 pe 1020-1 1012-3 994-5 988.5-7.5 High/low Aut Official Karb close Open int. Total delily turnova 999-1000 102,429 23,803 M COPPER, grade A & per tonne Close Previous High/Iow AM Official Kerb close Open int. Total delly turnove 70,723 M LIME AM Official E/S rate: 1,5843 LINE Closing 2/6 rate: 1.5598 Spot: 3 मार्केट: 6 तक्षीक: 9 तिकीड: ME HEGH GRADE COPPER (COMEX) -0.90 135.10 134.20 -0.75 134.75 133.30 -0.50 132.80 132.50 -0.35 131.25 129.80 -0.36 129.20 129.65 -0.35 127.70 125.90

Opening tix.
Assence tix.
Dey's High
Day's Low
Previous close

Sever Pix Spot 3 months

6 months 1 year Gold Coins

E CRUDE OF IPE (\$/benel 18.55 +0.15 18.55 +0.11 18.55 +0.11 47.15 22.028 14.087 47.85 21.078 4.002 47.85 12.485 3,102 47.50 9,001 1,185 42.85 8,136 484 48.40 4,068 376 112.500 25,840 Day's Open Company Maybe Low let 1-125 145.59 145.50 44.544 -0.75 145.75 145.50 7,634 -0.55 147.00 145.50 7,634 -0.55 147.00 145.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 147.00 9,004 -0.55 1 1,230 11,367 638 4,188 50,579 M NATURAL GAS WINEX (10,000 mmilia; \$1mmilia) PRECIOUS METALS W LONDON BULLION MARKET Prices supplied by N M Rothschild 1.365 22.185 16,460 1.370 21,950 7.589 1.440 12,740 2,301 1.505 12,104 1,074 1.555 10,342 12,51 1.565 10,342 922 187,461 34,166 -0.007 \$ price 376.20-376.80 375.60-376.00 376.90 378.60 241,580 480,434 240,747 479,526 377.20-377.50 376.10-376.40 376.70-376.10 Loop Lon Meen Gold Lending Rates (Vs USS) الجويا 58.15 19.052 57.65 18.798 57.60 15.756 2,986 2,775 940 258 452 US cts equiv. 476.25 482.75 480.40 506.80 2/troy 67. 304.50 308.00 314.35 327.15

878 751 62 · 26 CRUDE OIL NYMEX (42,000 US gats, \$/barrel) 4,261 1,850 356 677 50 7,700

-0/4 22/46 233/2 77,974 -0/4 25/26 241/6 80,191 -0/2 246/6 247/0 74,526 -253/6 25/6 25/6 80,405 -0/2 25/46 25/26 81,84 -0/2 25/46 25/26 81,84 317,071 102.35 103.25 97.00 99.15 100.50 102.25 -0.90 102.75 102.75 -0.25 103.50 103.50 - 97.00 97.00 - 88.00 99.00 -044 8610 5556 44,880 - 5706 5680 24,178 +02 5774 5732 22,127 +04 5800 5766 2,580 +06 5816 5854 18,471 - 5886 5854 18,471 III SOYABEAN OIL CET (50,000lbs: cents/lb) 27.99 27.80 32,119 27.18 26.72 29,197 28.60 26.18 17,549 25.25 25.90 5,235 26.00 26.65 5,109 I SCYABEAN MEAL CRT (100 tons; \$/ton) 183.4 -0.8 154.8 163.3 28,721 187.4 -0.5 188.4 157.2 25,639 181.7 -0.6 182.7 161.6 19,699 183.7 -0.5 186.7 185.6 4,610 186.7 -0.5 186.7 185.6 4,610 187.4 -0.7 168.5 187.4 8,094 E POTATOES LCE (Chorne) 271.0 266.0 -24 -28 -25 -25 -30 -18

2579 7,264 1,578 2815 11,278 2,169 2770 4,149 635 2765 3,610 288 2745 1,116 95 2740 1377 480 2914 2849 2793 2788 2753 2748 2915 2950 2795 2770 2790 2755 Mar May Jul Sup Mov Jun Tutal 4,143 3,610 5 1,116 137 27,661 38,782 15,463 7194. **day** 150.65 147.29 925 860 2,305 6,865 MHITE SUGAR LCE (S/torme)
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Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CASE, CSCE and IPE Crude Of are one INDICES # REJTERS (Base: 18/5/51=100)

Feb 14 2247.4 zoonth ego 2266,7 E CRS Futures (Base: 1967-100)

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Rubber (Mar)* Rubber (Apr)* Rubber (KL RSS No1) Coconut OII (Phili)§ Paim OII (Maley.)§ Copra (Phili)§ Soyabeans (US)

INTERNATIONAL CAPITAL MARKETS

100.18

Treasuries up on signs of slowing growth

and Conner Middelmann and Graham Bowley In London

US Treasury prices added to Tuesday's gains yesterday morning on economic data that many interpreted as a sign that the economy was slowing.

At midday the benchmark 30-year Treasury was up 2 at 1014 to yield 7.533 per cent. At the short end of the market, the two-year note rose 🕹 to 100%, yielding 7.045 per cent. Investors showed they were far more pleased by the slowing growth in industrial pro-

duction than by modest growth in consumer prices.
Figures released by the Conference Board showed industrial production up 0.4 per cent in January, compared with the 0.9 per cent rise in December. It was also lower than the median forecast of a 0.5 per

cent increase. (December's fig-

ure was revised downward

Although capacity utilisation set a new high for January at 85.5 per cent, it was below market forecasts of 85.6 per cent and up only slightly from the 85.4 per cent of December. Capacity utilisation, the pro-portion of industrial capacity used in the production of

goods, is considered especially

GOVERNMENT **BONDS**

important because Mr Alan Greenspan, the chairman of the Federal Reserve, has consistently used recent high figures to justify tighter monetary policy.

Investors paid less attention to gains made in the consumer price index for January. Last month the CPI rose 0.3 per cent overall and by 0.4 per cent excluding the volatile food and energy components, compared with expectations of 0.3 per cent increases for both indices

In spite of price pressures at lower levels in the economy, the CPI has held steady, rising only 2.7 per cent for all of last year. Economists said yester-day that one month of strong gains was not enough to indicate a trend

■ European government bonds rose across the board yesterday, lifted by the rally in US Treasuries. The strongest per-former was the UK gilt market, which jumped on data showing the consumer side of the UK economy slowing, with few signs of a pick-up in underlying inflation

Weak retail sales and retail price data pushed the long gilt future on Liffe up by almost one point, to about 101%. The yield spread over Ger-man government bonds narrowed to 129 basis points from 147 basis points.

■ German bonds also showed strong gains, with the March 0.46 point. It is approaching last week's high of 91.12, which dealers said would be the next significant technical resistance

The Bundesbank's central bank council is not expected to change official interest rates when it meets today.

■ French government bonds moved slightly higher but underperformed other markets due to political concerns.

Opinion polls showing a narrowing of prime minister Mr
Edouard Balladur's lead in the

forthcoming presidential elec-tions hit prices.

Confidence was also under mined by concerns that Mr Lionel Jospin, Mr Balladur's socialist rival, would halt the privatisation process if elected.
The spread over bunds wid-

Matif settled at 112.06, up 0.1

ened slightly to 58 basis points. The March futures contract on

90.93 before closing at 90.83, up markets, weighed down by renewed currency weakness and L4,000bn in seven and 10year supply. The March BTP future on Liffe rose by 0.20 to

> S&P's announcement that it was assigning a triple A rating to the Italian government's lira debt had little impact. Although the rating will enable some fund managers who may not invest in unrated or sub-AAA rated debt to buy Italian government bonds, dealers said this was unlikely to spur a rush of buying. S&P's foreign-currency rating for Italy remains double-A, with a negative outlook.

■ After outshining other markets on Tuesday on supportive inflation data, Spanish bonds put on a lacklustre performance yesterday. The March hand future on Meff, the Spanish futures exchange, rose by

ease rules on bond conversion

By Laura Tyson in Taipei

Taiwanese regulators have approved rule. changes which would allow bonds issued by Taiwan companies in overseas markets to be converted into common shares listed on the country's stock exchange. The changes must be approved by the cahinet before taking effect. Under the new regulations, foreign individual investors

would be permitted to hold Taiwan-listed shares directly for the first time, although they would not be allowed to buy shares once the converted bonds had been sold. At present, only foreign institutions approved by the government are allowed to bay listed shares in Taiwan companies. Mr Hung Chiu-rong, a sec-tion chief at the Securities and Exchange Commission, said draft revisions to relevant reg-ulations were discussed and

agreed to on Tuesday.

An official from the central bank's foreign exchange department attended the meeting and raised no objection to the proposed changes, Mr Hung said. The central bank is the ultimate arbiter in all matters which concern foreign

exchange and capital flows. "As to whether the central bank will have some opinion when when the draft reaches the cabinet, I don't dare to say, but we're pretty optimis-tic that it will be passed with-out any problem," Mr Hung said. He said the cabinet might approve the changes in the

Forty-six Taiwanese companies have issued overseas convertible bonds worth US\$3.53bn and SFr832m since

Taiwanese convertible bond prices jumped yesterday on the news, reflecting improved prospects for conversion.

Taiwan may | Israel warned not to ignore European banks

Barclays de Zoete Wedd, the London-based international investment bank, yesterday warned that Israel risked losing out on the increasing potential of European capital markets by preferring to float companies in New York with US investment banks.

INTERNATIONAL **EQUITY ISSUES**

The warning comes amid intense competition among international investment banks for the global co-ordinat-ing role in the sale of 25 per cent of Bezeq, the state-owned telecommunications company.

The Bezeq offering, which is worth about \$650m, is expected in the third quarter and will be Israel's biggest equity issue to

Mr Niel Sebag-Montefiore. BZW corporate finance director, said in Tel Aviv that the appointment of a European investment bank as joint lead co-ordinator would send positive signals to European inves-

tors. "Israel has not yet attacked the European market, where investors are keen on Israel at the moment." he said.

"Appointing a European investment bank as joint global co-ordinator would send the right signals. There is a window of opportunity for Israel today and Bezeq is the best company to exploit it. It would open the doors for European investment in Israel in both private and government owned companies," added Mr

Sebag-Montefiore. BZW is among at least a dozen US and European banks bidding for the lucrative mandate, worth 3 to 4 per cent of

5.95 8.79 6.83

8,60 8,61 8,61

the value of the offering in fee

wing steak

Bezeq has said it intends to go for a full SEC registration in order to obtain a listing in New York, a factor which necessitates the appointment of a US global investment house to ead the offer.

The Government Companies Authority is expected to announce the winner within days. Morgan Stanley is advising the government on the

BZW, Warburg, UBS and NatWest have argued strongly that European capital markets are now ripe for Israeli equity and say a European invest-ment bank should be awarded a joint global co-ordinator role with a US investment house. However Israel has tradition-elly depended on the INS conally depended on the US capital market because of almost non-existent interest from

Europe.
The US is by far the largest non-domestic buyer of Israeli equity and 61 Israeli companies are traded in the US with a total market capitalisation of

\$8.7bm. Israeli bankers say the US will remain the main source of foreign capital as there is strong US investor demand and a greater supply of capital, in spite of the higher costs of public listing in the US and the onerous degree of accountabil-

US investment banks have been involved in 30 Israeli equity offerings in the US in the past three years which have raised more than \$1bn. Lehman Brothers, which last year established an office in Israel, has led the pack, winning 18 mandates to run primary equity deals since 1991, and recently won the lead role for the global offering of 22 per cent of Israel Chemicals worth

--- Low coupon yield --- Medium coupon yield --- High coupon yield ---Feb 15 Feb 14 Yr. ago Feb 15 Feb 14 Yr. ago Feb 15 Feb 14 Yr. ago

6.19 6.81 6.82

8,76 8,82 8,73

● スコンド

Nomura handles \$500m deal without charging fee

By Martin Brice

Nomura raised eyebrows at other syndicates yesterday when it handled a \$500m deal for the US Student Loan Marketing Association at zero fees. The deal was a block trade. with no syndicate.

INTERNATIONAL **BONDS**

A senior syndicate official at Nomura said: "If we choose to underwrite, place with our investors and trade a \$500m

deal, it is our prerogative to do He said Nomura had two big orders for the bonds. Other houses believe these to be of \$100m each. The Nomura official said the deal was investordriven, coming from Nomura's

8.47 9733 8.52 101353 8.65 11.633 8.59 11.53 8.71 105523 8.63 96 8.71 107334 8.82 112,344 7.32 74,5

8.19 8.84 10.90 9.44 7.63 9.24 8.31 10.24 4.72

+15 813 +15 118 +15 120 +15 120 +15 120 +15 127 +15 127 +15 128 +15 127 +15 128 +15 12

\$500m deal for the same borrower on January 4, for which

a fee was taken. Some syndicates were angered by the decision to work for nothing, with one describing it as "an outrageous piece of league table business" and "the ultimate in feecutting". However, most were

more relaxed. One syndicate manager said: "Initially I was aghast. But then I realised it was no better or worse than what has been going on in the market all this year, with issues widening out

immediately after launch. Another said: "All Nomura has done is make very trans-parent what has been happening. People have been underwriting deals at levels where they cannot hope to make a

A view shared by many was

Borrower US DOLLARS	Amount FL	Coupon %	Price	Maturity	Foss %	Spread bp	Book rutmer
Student Loan Marketing Assoc. Volvo Group Finance Europet	500 100	7.50# (a)	99.41 100.00	Mar.2000 Mar.2001	2370 0.30	+19(7%%-00)	Nomura International CS First Boston
D-MARKS Baden-Württemberg L-Finence Ford Credit Europe	1bn 200	7.00 7.25	99.505R 101.879	Mar.2000 Mar.2000	0.25R 2.50	+16(7%-99)	Deutsche/ SBC Frankfurt DG Bank
SMRSS FRANCS City of Copenhagen OSL Finance Meisel Inclustrial Co.(b)+©	100 100 100	5.375 5.375 2.00	102.60 102.85 100.00	Mer.2002 Mer.2001 Mar.1999	2.50 2.25 1.825	:	Banque Paribas(Suisse) Bank von Ernst & Cie. Delwa Socs-Benk(Switz.)
TALIAN LIRE Usboy Nati.Treas.Services(c)	200bn	11.00	101.065	Apr.1997	1.125	_	Credito Italiano
LINGSMEOURG FRANCS Republic of Ireland(c)	2bn	7.75	102,45	Jun.1998	1.375	_	8CEE
European Investment Bankt:	30bn	(4)	100.25	Mar.2005	undiscl	_	Banco Essl/ BPV CGD

the market. Sometimes the deal is so badly priced and the syndicate manager is asking

Before launching the deal. Nomura checked with IFR, the

included in the table Nomura was told that under new rules which apply from January 30, the deal would be included if fees were disclosed

Price Indices UK GERS

Up to 5 years (23)

FT-ACTUARIES FIXED INTEREST INDICES

+0.33 +0.68 +0.83

salesme very litt	le mone	y in it.	•	said:	"Wha	t is w	orse	ial who is when	ı badly-ı		eal. If N	omura	whic	ritles ind h compile	es a leag	gue table,
Nomu	ıra als	o han	dled a	an o	utraged	us pric	cing (comes to	wants	to do de	als for n	othing,	to se	ee if the	deal v	would be
	D BON				<u> </u>											
BENCH	MARK	GOVE	RNIME Red	NT BO	NDS Devis		Week	Month	Strike	FUTURES	OPTIONS (_	250,000 p	olents of 1009	PUTS -	
		Coupon	Deta	Price	change	Yield	ago	ago	Price	Mar	Apr G	May	Jun	Mer Ap		Jun
Australia Austria		9.000 7.500	09/04 01/05	92.8700 98.8500	+0.820	10.18 7.87	10.14 7.62	7.89 7.70	9050 9100	0.43 0.16				1.13 0.77 1.36 1.00		1.13 1.41
Belgium		7.750	10/04	96.5000	+0.290	8.28	8.21	8.55	9150	0.04	0.19	0.37	0.49 (),74 1 <i>.4</i> 4	1.63	1.75
Canada * Denmark		9.000 7.000	12/04 12/04	101.1000 87.9500	+0.850 +0.060	8.83 8.88	8.82 8.83	9.22 9.10	Est vol to	tal, Calle 129	46 Pus 1327	5. Previous	day's open	int., Callo 223	727 Puts 17	254
France	BTAN CAT	8.000 7.500	05/98 04/05	101.0900 96.8100	+0.050 +0.350	7.59 7.98	7.60 7.95	7.27 8.45	italy					•	-	
Germany B		7.375	01/05	100.0000	+0.540	7.37	7.38	7.76			AN GOVT, ! t 100ths of		P) FUTUS	RES		
ireland Italy		6.250 9.500	10/04 01/05	83.7250 86.9700	+0.725 -0.030	8.79† 11.96	8.79 11,84	8.77 12.14	1241.4	Open	Sett price		High	Low	Est. voi	Open Inf.
Japan	No 119 No 184	4.800 4.100	06/99 12/03	103.6440 96.9210	+0.275 +0.092	3.84 4.59	3.99 4.65	3.94 4.72	Mar	100.05	100.14	+0.16	100,34	99.85	31580	53479
Netherlands		7.250	10/04	98.1500	+0.440	7.52	7.53	7.87	Jun	98.00	98.08	+0.21	99.03	96.90	303	2757
Portugal Spain		8.875 10.000	01/04 02/05	85.0000 91.4200	+0.500 +0.170		11.85 11.51	11.63 11.90		M GOVT. B	`		OPTION			the of 100%
Sweden UK Gitts		6.000 6.000	02/05 08/99	72,1130 90–30	+0.290 +20/32	10.68 8.49	10.74	10.82 8.63	Strike Price		Mar CAI			Mer	PUTS	Jun
		B.500	12/05	99-14	+30/32	8.58	8.49	8.73	10000		0.43	1.33		0.29		2.23
US Treasury	, -	9.000 7.500	10/08 02/05	103-14 100-25	+27/32 +25/32	8.57 7.39	8.48 7.52	8.6 0 7.86	10050 10106		0.20 0.08	1.11 0.92		0.58 0.94		2.52 2.83
		7.825	02/25	101-00	+24/32	7.54	7.64	7.90			8 Puta 1954.	-	-		,	
ECU (Frenci Lendon close	g. 'New Yor		04/04	85.1100	+0.260		8.39 cal mart	8.80 leet atamderd.	Spain							
† Gross (nc). Paces: US, U	ucing withho	iding tar at		_e nt payable i	by nonresid	igrats)		international		NAL SPAN	ISH BOND	FUTURES	(MEFF)			
						don't				Open	Sett price	Change	High	Low	Est. vol.	Open Int.
US INT	EREST	RATE	<u>s</u>						Mar	85.95	85.58	+0.18	88.17	85.61	68,420	\$2,525
Lunchtone		_		Treasury	BBIs and		f a		Jun UK	-	85.27	-	-	-	39	1,084
Prime rate		9 Te	: Righth : Plants		6.00 Th	10 year .		7.11 7.25 7.25		NAI IIK CI	TAMBE	S (1 HEFE)*	esa ann s	2nds of 100	44	
Broker Igan ras Fed.funds		5√£ Sh	ee maaib 		5.84 Fe	0 year -year		7.45		Open	Sett price	Change	High	Low	Est. vol	Open int.
Fed.funds at In	terrorition	- On	, reir			ýest –		7.58	Mar	101-07	101-27	+0-27	102-03	101-08	88831	91298
									Jun	101-20	101-30	+0-27	101-29	101-20 B4ths of 100	553	2727
									Strike	<u> </u>	CAL		3 530,000	04015 DF 100	PUTS —	
									Price	Mar	Apr		Jun 1	Mar Apr		Jun
BOND I	FUTUR	ės an	D OPT	TONS					101	0-62				-06 0-41		1-17
									' 102 103	0-19 0-03				-29 1-03 -13 1-40		1-45 2-15
France									Est wol cot	ni, Calls 8104	Puta 10136.	Previous di	ay's open in	nii., Calles 4578	Puts 60456	•
LIGING																
M NOTION	AL FRENC	H BOND		MATIF					Ecu							
M NOTION				` ` ` ` 	Low	r Est.	. vol.	Open Int.	ECU B	OND FUTU	RES (MATIF	,				
Mar	Open 111.92	Sett price 112.06	+0.10	High 112.08		36 1 8 5	,522	Open Int. 149,482		OND FUTU	RES (MATIF) Change	High	Low	Est. vol.	Open Int.
Mar Jun	Open 111.92 111.08	Sett price 112.06 111.18	+0.10 +0.10	High 112.08 111.14	111.0	6 165 6 3,	5,522 378	149,492 11,613	■ ECU B		Sett price 82.04	Change +0.08	High 82.04	Low 21.74	Est. vol. 3,217	6,028
Mar	Open 117.92 111.08 110.36	Sett price 112.06 111.18 110.48	+0.10 +0.10 +0.12	High 112.08 111.14 110.40	111.0	6 165 6 3,	,522	149,492	■ ECU B	Ореп	Sett price	Change	_	_		•
Mar Jun Sep ELONG TI Strike	Open 111.92 111.05 110.36 ERM FRE	Sett price 112.06 111.18 110.48 VCH BONI	+0.10 +0.10 +0.12 +0.12 OPTION	High 112.08 111.14 110.40 IS (MATIF)	111.6	36 165 36 3,3 30 1,7	5,522 378 751 3	149,492 11,613 2,415	■ ECU B	Ореп	Sett price 82.04	Change +0.08	_	_		6,028
Mar Jun Sep E LONG TI Strike	Open 111.92 111.06 110.36 ERM FRE	Sett price 112.06 111.18 110.48 VCH BONI	+0.10 +0.10 +0.12 OPTION	High 112.08 111.14 110.40	111.6 110.2 110.2 Mer	36 165 36 3,1 30 1,7	5,522 378 751 	149,492 11,613	Mar Jun	Open 81,98 -	Sett price 82.04 61.82	Change +0.08 +0.08	82.04	_	3,217	6,028
Mar Jun Sep ELONG TI Strike	Open 117.92 111.08 110.36 ERM FRE Mar 1.13	Sett price 112.06 111.18 110.48 WCH BONI	+0.10 +0.10 +0.12 +0.12 • OPTION ULS	High 112.08 111.14 110.40 IS (MATIF)	111.6	36 165 36 3,3 30 1,7	5,522 378 751 	149,492 11,613 2,415	Mar Jun US II US TR	Open 81.96 - EASURY BO	Sett price 82.04 61.82 OND FUTUR Latest	Change +0.08 +0.08 +0.08	82.04 6100,000 : High	21.74 32nds of 100 Low	3,217 3% Est. vol.	6,028 1,858 Open int.
Mar Jun Sep ELLONG TI Strike Price 111 112 113	Open 117.92 111.08 110.36 ERM FRE Mar 1.13 0.35	Sett price 112.06 111.18 110.48 WCH BONI	+0.10 +0.10 +0.12 +0.12 C OPTION ULS	High 112.08 111.14 110.40 (MATIF) Sep	111.6 110.2 110.2 Mer 0.08	36 165 36 3,1 30 1,7	5,522 378 751 	149,492 11,613 2,415 Sep	Mar Jun	Open 81.98 - EASURY BO	Sett price 82.04 61.82	Change +0.08 +0.06	82.04 6100.000	21.74 32mds of 100 Low 102-02	3,217 2% Est. vol. 376,137	6,028 1,858 Open int. 337,535
Mar Jan Sep ELONG TI Strike Price 111 112 113 114 115	Open 117.92 111.06 110.36 ERM FRE Mar 1.13 0.35 0.06	Sett price 112.06 111.18 110.48 WCH BOND CA J 1 0. 0.	Change +0.70 +0.10 +0.12 COPTION ULS	High 112.08 111.14 110.40 15 (MATIF) Sep	Mer 0.08 0.36 1.03	36 165 36 3,3 00 1,7 	5,522 378 751 S —	149,492 11,613 2,415 Sep	Mar Jun US II US TR	Open 81.98 - EASURY BO Open 102-10	Sett price 82.04 61.82 OND FUTUR Latest 102-23	Change +0.08 +0.08 +0.08	82.04 6100,000 : High	21.74 22nds of 100 Low 102-02 101-19	3,217 3% Est. vol.	6,028 1,858 Open int.
Mar Jan Sep ELONG TI Strike Price 111 112 113	Open 117.92 111.06 110.36 ERM FRE Mar 1.13 0.35 0.06	Sett price 112.06 111.18 110.48 WCH BOND CA J 1 0. 0.	Change +0.70 +0.10 +0.12 COPTION ULS	High 112.08 111.14 110.40 15 (MATIF) Sep	Mer 0.08 0.36 1.03	36 165 36 3,3 00 1,7 	5,522 378 751 S —	149,492 11,613 2,415 Sep	Mer Jun US TRI Mar Jun Sep	Open 81.98 EASURY BO Open 102-10 101-28	Sett price 82.04 61.82 CND FUTUR Latest 102-23 102-08	Change +0.08 +0.08 ES (CBT) Change +0-14 +0-15	82.04 \$100,000 : High 102-27 102-11	21.74 22nds of 100 Low 102-02 101-19	3,217 7% Est. vol. 376,137 9,560	8,028 1,658 Open int. 337,535 46,582
Mar Jan Sep ELONG Ti Strike Price 111 112 113 114 115 Est vol total	Open 117.92 111.08 110.36 ERM FRIE Man 1.13 0.35 0.06 0.01	Sett price 112.06 111.18 110.48 WCH BOND CA J 1 0. 0.	Change +0.70 +0.10 +0.12 COPTION ULS	High 112.08 111.14 110.40 15 (MATIF) Sep	Mer 0.08 0.36 1.03	36 165 36 3,3 00 1,7 	5,522 378 751 S —	149,492 11,613 2,415 Sep	Mar Jun US II US TRI Mar Jun Sep	Open 81.98 EASURY BO Open 102-10 101-29 101-20	Sett price 82.04 61.82 ONID FUTUR Latest 102-23 102-28	Change +0.08 +0.08 ES (CBT) Change +0-14 +0-15 +0-17	82.04 6100,000 High 102-27 102-11 101-30	21.74 32nds of 100 Low 102-02 101-19 101-09	3,217 2% Est. vol. 376,137 9,550 1,280	8,028 1,658 Open int. 337,535 46,582
Mar Jan Sep ELONG TI Strike Price 111 112 113 114 115	Open 117.92 111.08 110.36 ERM FREE 1.13 0.35 0.00 0.00 0.00	Sett price: 112.06 111.18 110.48 NCH BONI CA J. 1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	+0.70 +0.10 +0.12 2 OPTION 41 41 91 56 28 12	High 112.08 111.14 110.40 15 (MATIF) Sep 	Mer Q.06 0.36 1.03	36 165 3,3 20 1,7 Jun 1,26 - - - - -	5,522 378 761 3	149,492 11,613 2,415 Sep - - - - 205,485	Mar Jun US TRI Mar Jun Sep Japan	Open 81.98 	Sett price 82.04 61.82 ONID FUTUR Latest 102-23 102-28	Change +0.08 +0.08 +0.08 Change +0-14 +0-15 +0-17	82.04 6100,000 High 102-27 102-11 101-30	21.74 22nds of 100 Low 102-02 101-19	3,217 2% Est. vol. 376,137 9,550 1,280	8,028 1,658 Open int. 337,535 46,582
Mar Jun Strike Price 111 112 113 114 115 Ext. vol. lotal.	Open 117.92 111.08 110.36 ERM FREE 1.13 0.35 0.00 0.00 0.00	Sett price: 112.06 111.18 110.48 NCH BONI CA J. 1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	+0.70 +0.10 +0.12 2 OPTION LLS 	High 112.08 111.14 110.40 (MATIF) Sep 	Mer Q.06 0.36 1.03	36 165 36 3,00 1,7 	5,522 378 751 3	149,492 11,613 2,415 Sep - - - - 205,485	Mer Jun US US TRE Mar Jun Sep Japan NOTIO	Open 81.98 81.98 EASURY BK Open 102-10 101-29 101-20 NAL LONG Y100m 100	Sett price 82.04 61.82 CND FUTUR Latest 102-23 102-08 107-28	Change +0.08 +0.08 +0.08 Change +0-14 +0-15 +0-17	82.04 6100,000 High 102-27 102-11 101-30	21.74 	3,217 194 Est. vol. 376,137 9,550 1,280	6,028 1,658 Open int. 337,535 46,582 8,168
Mar Jan Sep EL LONG Ti Strike Price 111 112 113 114 118 Est. vol. lotal. Gertstain El NOTION	Open 111.92 111.08 110.36 ERM FREE Mar 1,13 0.05 0.05 0.05 0.05 0.05 0.05 0.05 0.0	Sett price 112.06 111.18 110.48 NCH BOND CA J. 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.70 +0.10 +0.12 OPTION ULS 	### High 112.08 111.14 110.40 is (AMATIF) Sep	Mar 0.08 0.36 1.03 - - en int, Ca	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 4 Puts :	149,492 11,613 2,415 Sep - - - 205,485.	Mar Jun WS TR War Jun Sep Japan Mar Jun Mar Mar Mar Mar	Open 81.98 	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 101-28	Change +0.08 +0.08 HES (CBT) Change +0-14 +0-15 +0-17	82.04 \$100,000 High 102-27 102-11 101-30 IOVT. BOI 109.19	21.74 32nds of 100 Low 102-02 101-19 101-09	3,217 	6,028 1,658 Open int. 337,535 46,582 8,168 Open int.
Mar Jun Step EL LONG TO Strikes Price 111 112 113 114 115 Est vol book Germann EL NOTION	Open 111.92 111.08 110.08 110.08 ERM FREE Mar 1.13 0.00 0.00 0.00 Cals 24.04 My AL GERMA	Sett price 112.06 111.18 110.48 NCH BOND 1.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.	Change +0.70 +0.10 +0.12 OPTION LLS	High 112.08 111.14 110.40 IS (MATIF) Sep 0.38	Mer Q.08 Q.38 1.03 	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 4 Puts :	149,492 11,613 2,415 Sep - - - - 205,485.	Mar Jun Sop Japan Mar Jun Mar Jun Mar Jun	Open 81.98 	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 101-28 TERM LAP	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0.14 +0.15 +0.17 Change Change	82.04 \$100,000 : High 102-27 102-11 101-30 High 109.18 108.48	21.74 	3,217 	6,028 1,658 Open int. 337,535 46,582 8,168
Mar Jun Strikes Price 111 112 113 114 115 Est. vol. lotal, Qerrstallit III NOTION Mar Jun	Open 111.92 111.08 110.36 ERM FREE Mar 1.13 0.05 0.05 0.05 0.07 0.07 0.07 0.07 0.07	Sett price 112.06 111.18 110.48 NCH BOND CA	Change +0.70 +0.10 +0.12 OPTION ULS 	### High 112.08 111.14 110.40 is (AMATIF) Sep	Mar 0.08 0.36 1.03 - - en int, Ca	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 4 Puts :	149,492 11,613 2,415 Sep - - - 205,485.	Mar Jun Sop Japan Mar Jun Mar Jun Mar Jun	Open 81.98 	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 101-28 TERM LAP	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0.14 +0.15 +0.17 Change Change	82.04 \$100,000 : High 102-27 102-11 101-30 High 109.18 108.48	21.74 32nds of 100 Low 102-02 101-19 101-09 MD FUTURE Low 109.05 108.35	3,217 	6,028 1,658 Open int. 337,535 46,532 8,168 Open int. 0
Mar Jan Sep EL LONG Ti Strike Price 111 112 113 114 118 Est. vol. lotal. Gertstain El NOTION	Open 111.92 111.08 110.36 ERM FREE Mar 1.13 0.33 0.05 0.00 0.07 0.07 0.07 0.07 0.07 0.07	Sett price 112.06 111.18 110.48 NCH BOND CA	Change +0.70 +0.10 +0.12 OPTION ULS 	### High 112.08 111.14 110.40 is (AMATIF) Sep	Mar 0.08 0.36 1.03 - - en int, Ca	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 4 Puts :	149,492 11,613 2,415 Sep - - - 205,485.	Mar Jun Sop Japan Mar Jun Mar Jun Mar Jun	Open 81.98 	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 101-28 TERM LAP	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0.14 +0.15 +0.17 Change Change	82.04 \$100,000 : High 102-27 102-11 101-30 High 109.18 108.48	21.74 32nds of 100 Low 102-02 101-19 101-09 MD FUTURE Low 109.05 108.35	3,217 	6,028 1,658 Open int. 337,535 46,582 8,168 Open int. 0
Mar Jun Strikes Price 111 112 113 114 115 Est. vol. lotal, Qerrstallit III NOTION Mar Jun	Open 111.92 111.08 110.36 ERM FREE Mar 1.13 0.33 0.05 0.00 0.07 0.07 0.07 0.07 0.07 0.07	Sett price 112.06 111.18 110.48 NCH BOND CA	Change +0.10 +0.10 +0.12 •0.12 •0.12 •0.17	High 112.08 111.14 110.40 IS (MATIF) Sep 0.38	Mar 0.08 0.36 1.03 - - en int, Ca	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 4 Puts :	149,492 11,613 2,415 Sep - - - 205,485. W Copen int. 210517 11500	Mer Jun US TR US TR Mer Jun Sep Japan Notio (LIFE)	Open 81.98 	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 101-28 TERM LAP	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0.14 +0.15 +0.17 Change Change	82.04 \$100,000 : High 102-27 102-11 101-30 High 109.18 108.48	21.74 32nds of 100 Low 102-02 101-19 101-09 ND FUTURE Low 108.05 108.35	3,217 Est. vol. 376,150 9,550 1,260 1,260 8 Est. vol. 1,772 3547 day.	6,028 1,658 Open int. 337,535 46,532 8,168 Open int. 0
Mar Jun Strikes Price 111 112 113 114 115 Est. vol. lotal, Qerrstallit III NOTION Mar Jun	Open 111.92 111.08 110.36 ERM FREE Mar 1.13 0.33 0.05 0.00 0.07 0.07 0.07 0.07 0.07 0.07	Sett price 112.06 111.18 110.48 NCH BOND CA	Change +0.10 +0.10 +0.12 O OPTION ULS 	High 112.08 111.14 110.40 IS (MATIF) Sep 	Mer 0.08 0.36 1.03	96 165 96 3,5 20 1,7 Jun 1,25 	5,522 378 751 3 3 4 Pute :	149,492 11,613 2,415 Sep - - - 205,485. W Copen int. 210517 11500	Mer Jun WS TRI WS TRI Mer Jun Mer Jun LIFTE Mer	Open 81.98 	Sett price 82.04 61.82 DND FUTUR Latest 102-23 102-28 107-28 107-28 TERM JAP Dits of 1009 Close	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0.14 +0.15 +0.17 Change Change	82.04 \$100,000 High 102-27 102-11 101-30 KOYT. BOI 109.19 108.48 rest Rgs. are	21.74 32nds of 100 Low 102-02 101-19 101-09 ND FUTURE Low 108.05 108.35	3,217 	6,028 1,658 Open int. 337,535 46,582 8,168 Open int. 0
Mar Jan Jan Sep ELONG Ti Strike Price 111 112 113 114 118 Est vol lotal ENOTION Mar Jun Sparter (Lives	Open 111.92 111.08 110.36 ERM FREE 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0	Sett price 112.06 111.18 110.48 NCH BOND CA J. 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.10 +0.12 COPTION LLS -0.10 +0.12 COPTION LLS -0.11 Press FUTURES Change +0.47	# High 112.08 111.14 110.40 IS (AMATIF) Sep C.38 C.38 G.WIFFE' D High 90.83	Mer 0.08 0.36 1.03	95 198,454	5,522 378 7751 3 3 4 Puts :	149,492 11,613 2,415 Sep 	Mer Jun US US TRI War Jun Sep Jappant Notro (LFTE) Mar Jun - LFFE fate 8ad Price 8	Open 81.98	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 107-28 TERM JAP Other of 1009 Close ad on APT. Al	Change +0.08 +0.08 +0.08 -0.08 Change +0-14 +0-15 +0-17 ANNESE G Change	82.04 \$100,000 High 102-27 102-11 101-30 KOYT, BOB 103.19 103.48 rest Pgs. an	21.74 32nds of 100 Low 102-02 101-19 101-09 ND FUTURE Low 108.05 108.35 108.35	3,217 BSt. vol. 376,157 9,550 1,290 BSt. vol. 1,772 3547 day.	6,028 1,658 1,658 Open int. 337,535 46,532 8,168 Open int. 0
Mar Jun Step ELONG Ti Strikes Price 111 112 113 114 118 Est. vol. lotal. Gertstalin E NOTION Mar Jun Starter (Unes	Open 111.92 111.05 111.05 110.36 ERM FREP Mar 1,13 0.05 0.00 0.01 Cada 24,04 Ny AL GERMA Open 90.56 89.95 LTS PI	Sett price 112.06 111.18 110.48 NCH BOND CA J. 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.10 +0.12 COPTION LLS	# High 112.08 111.14 110.40 is (AMATIF) Sep	Mer 0.08 0.36 1.03	95 198,454 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184 1 184	5,522 378 7751 3 3 4 Puts 3 3 4 Puts 3 10070 10070	149,492 11,613 2,415 Sep	Mar Jun Sep Japan Norto (LFTE) Mar Jun Sep Ada Antonio	Open 81.98 81.98 91.00 -	Sett price 82.04 61.82 ONID FUTUR Latest 102-23 102-08 107-28 TERM LAF This of 1009 Close ad on APT. Al	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0-14 +0-17 Change 6 Change 6 Change 6 Change 78 -1 Change	82.04 8100,000 High 102-27 102-11 101-30 ROYT, BOI 103.19 103.48 rest Pgs. an	21.74 32nds of 100 Low 102-02 101-19 101-09 ND FUTURE Low 108.35 108.35 108.35	3,217 Bet. vol. 376,137 9,550 1,280 Bet. vol. 1772 3547 day.	6,028 1,658 1,658 Open int. 337,535 46,582 8,188 Open int. 0
Mar Jan Jan Sep ELONG Ti Strike Price 111 112 113 114 118 Est vol lotal INOTION Mar Jun UK GII Shorter (Ures Erch Joc San 1) 10-use 1965 Irmsa 12-up: 1965 Irmsa 12-up: 1965	Open 111.92 111.05 110.36 110.36 ERM FREF Mar 1.13 0.36 0.06 0.01 Calla 24.04 Open 90.56 89.95 ETS DE	Sett price 112.06 111.18 110.48 NCH BOND 1.0 0.0 0.0 0.0 6 Puts 30 AN BUND Sett price 90.80 90.24 11C ES	Change +0.70 +0.10 +0.12 CPTION LLS	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	36 165 36 3,4 20 1,7 4 1,26 1 2,56 3 1000ths () 1 64 1 64 3 1000ths () 1 64 3 12,50 3	5,522 378 7751 3 3 4 Puts :	149,492 11,613 2,415 Sep 205,485. When the second secon	Mer Jun US US TRE Mar Jun Sep Japan NOTIO (LIFFE) Mar JUN LIFFE Mar Se8 105 1 8.68 105 1 8.68 105 1 8.68 105 1 8.68 105 1 8.68 105 1 8.68 105 1 8.68 105 1	Open 81.98 -	Sett price 82.04 61.82 DAID FUTUR Latest 102-23 102-08 107-28 TEPRM LAF White of 1007 Close set on APT. Al	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17	82.04 \$100,000 High 102-27 102-11 101-30 OVT. BOI 109.19 108.48 Rost Pgs. ov	21.74 21.74 32.nds of 100 Low 102-02 101-19 101-09 101-09 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35	3,217 Bet. vol. 376,137 9,550 1,280 Bet. vol. 1772 3547 day.	6,028 1,658 1,658 Open int. 337,535 46,582 8,188 Open int. 0
Mar Jun Step EL LONG Ti Strike Price 111 112 113 114 118 Est vol lotal II NOTIONA Mar Jun UK CI Steator (Lives Each Spc Gas 17 104,pc 1985 17 16pc 1985 17 16pc 1985 17 16pc 1986 17 16pc	Open 111.92 111.05 110.36 110.36 ERM FRET Mar 1.13 0.38 0.06 0.00 0.07 Calle 24.04 Open 90.56 89.95 TS PI Motes up to Pice Ve 990-45	Sett price 112.06 111.18 110.48 NCH BOND CA 1.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.70 +0.10 +0.12 COPTION LLS	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	26 165 3.4 20 1.7 20 1.7 20 1.7 20 1.2 20 1.2 20 1.2 20 1.2 20 20 20 20 20 20 20 20 20 20 20 20 20	5,522 378 7751 3 4 Puta : 1 3 4 Puta : 1 1070 1070 1070 1070 1070 1070 1070 1	149,492 11,613 2,415 Sep	Mar Jun Sep Japann Mar Jun Sep Japann Mar Jun LIFFE Max LIFFE Max Ses 974 8.56 974 8.56 1051 8.57 931 8.57 931 8.57 931 8.57 931	Open 81.98	Sett price 82.04 61.82 ONID FUTUR Latest 102-23 102-08 107-28 TERM LAF This of 1009 Close ad on APT. Al 101B below 101	Change +0.08 +0.08 +0.08 +0.08 +0.08 Change +0-14 +0-15 +0-17 Change Cha	82.04 \$100,000 High 102-27 102-11 101-30 OVT. BOI 109.19 108.48 Post Figs. av ###################################	21.74 21.74 32.nds of 100 Low 102-02 101-19 101-09 101-09 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35 108-35	3,217 Bet. vol. 376,137 9,550 1,280 Bet. vol. 1772 3547 day.	6,028 1,658 1,658 Open int. 337,535 46,582 8,188 Open int. 0
Mar Jun Step EL LONG TO Strike Price 111 112 113 114 118 Est vol total IN NOTIONA Mar Jun UN CI Steats* (Uness 104pc 1985 178pc 1985) 16pc 1985 178pc 1985 178pc 1987 178pc	Open 111.92 111.05 110.36 110.36 ERM FRE Mar 1.13 0.38 0.00 0.00 0.00 Calle 24.04 Open 90.56 89.95 TS PI Motes up to Ree Ye 990-65	Sett price 112.06 111.18 110.48 NCH BOND CA 1.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.10 +0.12 COPTION LLS	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	B6 165 B6 3, 20 1, 7 B0 1, 7 B0 1, 7 B0 198, 45 B0 1000hs 0 B0 198, 45 B0 1000hs 0 B0 188, 45 B0 2000hs 0 B0 2000h	5,522 378 7751 3 3 4 Puts :	149,492 11,613 2,415 Sep	Mar Jun Sep Japann Norto (LFTE) Mar Jun Sep Mar Jun Sep Ass 1054 856 10518 857 878 856 10518 857 8384 856 10518 857 8384 856 10518 857 8384 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518 858 10518	Open 81.98	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-08 107-28 TERM LAF This of 1007 Close ad on APT. Al 101B Index 101	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0-14 +0-17 Change Cha	82.04 6100,000 High 102-27 102-11 101-30 60YT. BOI 109.19 108.48 Rotts Reat Reat Reat Reat Reat Reat Reat Reat	21.74 232nds of 100 Low 102-02 101-19 101-09 101-09 108-35	3,217 Bet. vol. 376,137 9,550 1,280 Bet. vol. 1772 3547 day.	6,028 1,658 1,658 Open int. 337,535 46,582 8,188 Open int. 0
Mar Jun Storter (Lives Erch 3pc Sis 114 114 115 Est. vol. total. Mar Jun Storter (Lives Erch 3pc Sis 11 104-pc 1895 Ilras 124-pc 1995 Erch 134-pc 1995 Erch 1	Open 111.92 111.08 111.08 111.08 110.36 ERM FRG Mar 1,13 0,03 0,03 0,03 0,03 0,04 0,04 0,04 0,0	Sett price 112.06 111.18 110.48 ITO.48 ICH BOND CA J 1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.40 +0.10 +0.12 c OPTION LLS	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	36 165 36 3,20 1,7 20 1,7 1,25 1,25 2,25 3 1000ths 9 164 1 164 3 1000ths 9 1 164 3 1	5,522 378 7751 3 3 4 Puts :	149,492 11,613 2,415 Sep	Mar Jun Sep Japan Norto (LFTE) Mar Jun Sep Mar Jun Sep Ass 1051 Ses 878 Ses 878 Ses 1051 Ses	Open 81.98 -	Sett price 82.04 61.82 DAID FUTUR Latest 102-23 102-08 107-28 TERM LAF This of 1007 Close 101B below 101B below 101B below 101B below 101B below 101B 52 118°s 22 118°s 2	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 Change +0-14 +0-17 Change Cha	82.04 6100,000 High 102-27 102-11 101-30 OVT. BOI 109.19 108.48 108.48 108.48 108.48 108.48 108.48 108.48 108.48	21.74 21.74 22.02 23.03 of 100 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2	3,217 Bet. vol. 376,137 9,550 1,280 Bet. vol. 1772 3547 day.	6,028 1,958 1,958 1,958 1,958 1,958 237,535 46,532 8,166 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
Mar Jan Jan Sep E LONG Ti Strikes Price 111 112 113 114 118 Est. vol. lotel Mar Jun Mar Jun Sept. 120 104 106 1196 1196 1196 1196 1196 1196 1196	Open 111.92 111.05 111.05 110.36 ERM FREE Mar 1,13 0,05 0,00 0,01 0,00 0,01 Cade 24,04 Ny AL GERM 90.56 89.95 LTS P: Rotes up to Pice Ye 190-65 9511 111.11 89711 17711	Sett price 112.06 111.18 110.48 NCH BOND 10.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.	Change +0.10 +0.12 Change +0.10 +0.12 COPTION LLS -0.11 - Press +0.47 Change +0.47 FUTURES Change +0.47 1015 11045 11095	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	26 165 3.4 20 1.7 3 1.2 5 20 1.7 3 1.2 5 20 20 20 20 20 20 20 20 20 20 20 20 20	5,522 376 775 3 4 Puta : 1070	149,492 11,613 2,415 Sep	Mar Jun US TRI Mar Jun Sep Japann Mar Jun LIFFE Mar Jun 1715 A.S. 375 A.S.	Open 81.98	Sett price 82.04 81.82 OND FUTUR Latest 102-23 102-03 107-23 107-23 TERM LAF Other of 1009 Close ad on APT. Al 1018 hales 8487 249 102-12-12-12-12-12-12-12-12-12-12-12-12-12	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.14 +0.17	82.04 6100,000: High 102-27 102-11 101-30 60YT. BOI 109.18 109.18 108.48 108.48 108.48 108.48 108.48 108.48 108.48 108.48 108.48 108.48	21.74 21.74 23.20 of 100 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2	3,217 194 Est. vol. 376,157 9,550 1,290 S Est. vol. 1772 3547 day. 4444	6,028 1,958 1,958 1,958 1,958 1,958 237,535 46,532 8,166 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
Mar Jan Sep ELONG TO Strikes Price 111 112 113 Est. vol lotal to 114 116 Inc. vol lotal to 114 116 Inc. vol lotal to 114 Inc. vol lotal to 1	Open 111.92 111.05 111.05 110.36 ERM FREE Mar 1,13 0,05 0,00 0,01 Cada 24,04 Ny AL GERMA Open 90.56 89.95 LTS PI ###################################	Sett price 112.06 111.18 110.48 NCH BOND 1.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	Change +0.10 +0.12 +0.12 +0.13 +0.14 +0.12 COPTION LLS -0.11 - Press +0.47 +0.	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	36 165 36 3,20 1,7 20 1,7 1,25 1,25 2,25 3 1000ths 9 164 1 164 3 1000ths 9 1 164 3 1	5,522 376 775 3 4 Puta : 1070	149,492 11,613 2,415 Sep	Mar Jun Sep Japan Norto (LFTE) Mar Jun Sep Mar Jun Sep Ass 1051 Ses 878 Ses 878 Ses 1051 Ses	Open 81.98 -	Sett price 82.04 81.82 OND FUTUR Latest 102-23 102-03 107-23 TERRA LAP Ohis of 107-23 TERRA LAP USA 107-24 107-25 108-2 10	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17 +0.17 +0.15 +0.17 +0.17 +0.15 +0.17	82.04 8100,000 High 102-27 102-11 101-30 ROVT. BOI 103-18 103-18 103-48 103-59 103-48 103-59 103-69 103-	21.74 22.02 23.04s of 100 Low 102-02 101-19 101-09	3,217 BSL vol. 376,137 9,550 1,280 1772 3547 公理 + 67- 公理 + 64- 4- 64- 4- 64- 64- 64- 64- 64- 64- 6	6,128 1,558 1,558 1,558 1,558 1,558 Copen int. 337,535 46,582 8,168 8,168 Copen int. 0 0 0 2244, 1975 1135 1135 1135 1135 1135 1135 1135 11
Mar Jan Sep ELONG Ti Strike Price 111 112 113 114 118 Est. vol. lotal. Gentstaff Endage Sar 19: 10-loc 19e5 11-loc 19e5 11-l	Open 111.92 111.05 111.05 110.36 ERM FREE Mar 1.13 0.05 0.00 0.01 Cada 24.04 AL GERMA Open 90.56 89.95 LTS PI ###################################	Sett price: 112.06 111.18 110.48 NCH BOND 10.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.	Change +0.10 +0.12 +0.10 +0.12 COPTION LLS -0.11 +0.12 COPTION LLS -0.11 +0.43 +0.47	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	26 165 3.4 20 1.7 3 1.2 5 20 1.7 3 1.2 5 20 20 20 20 20 20 20 20 20 20 20 20 20	5,522 376 775 3 4 Puta : 1070	149,492 11,613 2,415 Sep	Mar Jun US TRI Mar Jun Sep Japann Mar Jun LIFFE Mar Jun 1715 A.S. 375 A.S.	Open 81.98	Sett price 82.04 81.82 CNID FUTUR Latest 102-23 102-08 107-23 TERM LAP Other of 1007 Close ad on APT. Al 101B below 1024 242 1024 242 1184 242 1185	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17	82.04 82.04 8100,000 High 102-27 102-11 101-30 104T. 808 108.48	21.74 22.02 of 100 Low 102-02 101-19 101-09	3,217 Bel. vol. 376,137 9,550 1,280 8 Est. vol. 1772 3547 Say. 46,444 Bel. vol. 1772 Say. 47,444 Be	6,128 1,558 1,558 1,558 Copen int. 337,535 46,552 8,168 Copen int. 0 0 0 1132, 1975 1132
Mar Jan Jan Sep ELONG Ti Strike Price 111 112 113 114 118 Est. vol. lotal. Gentstaff (Ures Each Jac Cas 1) 10-up 1965 1789 122-up 1965 1789 122-up 1965 1789 123-up 1965 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1865 1789 1799 1866 1789 1799 1866 1789 1799 1866 1789 1799 1866 1789 1799 1789 1789 1789 1789 1789 1789	Open 111.92 111.05 111.05 110.36 EFRM FREE Mar 1.13 0.05 0.00 0.01 Calle 24.04 Open 90.56 89.95 TS PI ###################################	Sett price 112.06 111.18 110.4	Change +0.70 +0.10 +0.12 +0.10 +0.12 COPTION LLS	High 112.08 111.14 110.44 110.	Mer 0.08 0.38 1.03	86 165 86 3,4 80 1,7 1.26 1.26 1.26 1.26 1.26 1.26 1.26 1.26	5,522 378 7751 3 4 Puts : 1070 1070 1070 1070 1070 1070 1070 107	149,492 11,613 2,415 Sep	Mar Jun US TRI Mar Jun Sep Japann Mar Jun LIFFE Mar Jun 1715 A.S. 375 A.S.	Open 81.98	Sett price 82.04 81.82 OND FUTUR Latest 102-23 102-03 107-23 107-23 TERM LAP One of 1009 Close at on APT. Al 101B below 101B bel	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17	82.04 8100,000 High 102-27 102-11 101-30 OVT. BOI 103.18 103.18 103.48 For Fig. and 103.48 For Fig. and 103.18 (135.6) 3 -	21.74 21.74 22.02 20.101-19 20.05 20	3,217 Bst. vol. 376,137 9,550 1,280 8 Est. vol. 1772 3547 star	6,028 1,958 1,958 1,958 1,958 1,958 237,535 46,582 8,166 234,1975 6 1134,1975 1134,197
Mar Jun Step ELONG TO Strikes Price 111 112 113 113 114 115 Est vol lotal WAR Mar Jun WK GII Stept 1990 Est 133-pc 19 Conversion 10pc Tress 23-pc 19 Tress 24-pc 19 Tres	Open 111.92 111.05 111.05 110.36 ERM FRE 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0	Sett price 112.06 111.18 110.4	Change +0.70 +0.10 +0.12 +0.10 +0.12 COPTION LLS	High 112.08 111.14 110.40 110.	111.1.10.1 110.2 1	36 165 36 3,4 20 1,7 40 1,7 40 1,7 40 1,7 5 198,45 4 1000hs 9 5 198,45 6 1000hs 9 6 184,62 6 184	5,522 378 7751 3 4 Puts : 1070 1070 1070 1070 1070 1070 1070 107	149,492 11,613 2,415 Sep	Mer Jun WS TRI WS TRI War Lun Sep Japann NOTIO (LITTE) Mar Jun 1.0776 LITTE 1.02 8.68 10514 8.58 272 8.58 1054 8.51 127-3 8.52 127-3 8.51 1532 8.51 1532 8.52 1254 8.54 653 8.54 653 8.54 653	Open 81.98	Sett price 82.04 61.82 OND FUTUR Latest 102-23 102-03 107-23 102-03 107-23 TERM LAF Other of 1009 Close ad on APT. Al 1018 hales 8487 429 102-102-102-102-102-102-102-102-102-102-	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17	82.04 8100,000 High 102-27 102-11 101-30 OVT. BOI 103.18 103.18 103.48 For Fig. and 103.48 For Fig. and 103.18 (135.6) 3 -	21.74 22.02 of 100 Low 102-02 101-19 101-09	3,217 Bst. vol. 376,137 9,550 1,280 8 Est. vol. 1772 3547 star	6,028 1,958 1,958 1,958 1,958 1,958 237,535 46,582 8,168 8,168 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
Mar Jun Strikes Phice # LONG Ti Strikes Phice # 111 112 113 113 114 115 Est vol lotal World Ti World T	Open 111.92 111.08 111.08 111.08 110.38 ERM FRE 0.38 0.00 0.00	Sett price 112.06 111.18 110.48 110.48 ICH BOND CA J O O O O O O O O O O O O	Change +0.40 +0.10 +0.12 +0.10 +0.12 COPTION LLS	High 112.08 111.14 112.08 111.14 112.08 111.14 112.08 111.14 112.08 111.14 112.08 111.	111.1.10.1 110.2 1	36 165 34 20 1,7 3 20 1,7 3 20 1,7 3 20 1,7 3 20 1,7 3 20 20 20 20 20 20 20 20 20 20 20 20 20	5,522 378 7751 3 4 Puts : 1070 1070 1070 1070 1070 1070 1070 107	149,492 11,613 2,415 Sep	Mar Jun Sep US TR US TR Lun Sep Japan Norto (LFTE) Mar Jun Sep Japan Norto (LFTE) Aux Sep 1534 856 1574 856 1575 857 858 157 858 857 858 858	Open 81.98	Sett price 82.04 61.82 CALD FUTURE Latest 102-23 102-08 107-28 107-28 TERM LAF This of 1007 Close 101B below 101B below 101B below 101B below 101B below 101B 22 118°s 22 11	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17 +0.17 +0.15 +0.17	82.04 82.04 8100,000 High 102-27 102-11 101-30 ROWT. BOI 109.19 108.48 80.67.8	21.74 232nds of 100 Low 102-02 101-19 101-0	3,217 Bst. vol. 376,137 9,550 1,280 8 Est. vol. 1772 3547 star	6,128 1,958 1,958 1,958 1,958 1,958 237,535 46,532 8,168 2,1
Mar Jun Sep ELONG Ti Strike Price 111 112 113 114 116 Est vol total HATTONN Mar Jun Mar Jun ELONG Ti Strike Frice Internation Mar Jun ELONG Ti Sep Internation	Open 111.92 111.08 111.08 111.08 110.36 ERM FRET 0.36 0.00 0.00 0.36 0.36 0.00 0.00 0.36 0.36	Sett price 112.06 111.18 110.48 IT.1.18 IT.1.1	Change +0.43 +0.47 Change +0.43 +0.47 Change +0.43 +0.47 7 100 5 1	High 112.08 111.14 110.40 110.	Mar 0.08 1.03	36 165 36 3,4 20 1,7 40 1,7 40 1,7 40 1,7 5 198,45 4 1000hs 9 5 198,45 6 1000hs 9 6 184,62 6 184	5,522 376 3761 3 3 4 Puts : 1070 1070 1070 1070 1070 1070 1070 107	149,492 11,613 2,415 Sep	Mar Jun US TRI U	Open 81.98	Sett price 82.04 81.82 CNID FUTUR Latest 102-23 102-03 107-23 107-23 TERRA LAP Ohios of 100-24 IONE 100-24 IONE 100-24 IONE 20-24 IONE 20	Change +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.08 +0.14 +0.15 +0.17 +0.17 +0.15 +0.17	82.04 8100,000 High 102-27 102-11 101-30 OVT. BOI 103.18 103.18 103.48 For Fig. and 103.48 For Fig. and 103.18 (135.6) 3 -	21.74 232nds of 100 Low 102-02 101-19 101-0	3,217 Bst. vol. 376,137 9,550 1,280 8 Est. vol. 1772 3547 star	6,128 1,958 1,958 1,958 1,958 1,958 207 46,582 8,166 204 46,582 8,166 204 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1056 1136 1136 1136 1136 1136 1136 1136 11

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Firedeemables (5)	155.29 177.85	+0.	26	154.02	3.08		20 yrs irred.†		8.47 8.56	8.5 6.5		6.83 6.92	8.61	8.71	6.82	8,73	8.83	7,
5 All stocks (BC)	136.56	+0.	59	135.76	1.90	1.81						5% —			Inflatik			
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9 Up to 5 years (2) 7 Over 5 years (11)	188.89 173.96	-0.	.02 .22	188.72 173.60		1.45 0.80		5 yrs		86 88	3.85 3.93						1,19 2.64	
All stocks (13)	174.58		19	174.44		0.86	0101 0	, ye	٠.	~	ممد	9.00	•	•				
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9.28 9.77 8.94 12.04 10.63 10.53 9.23 10.00 4.26 **CURRENCIES AND MONEY**

MARKETS REPORT

after it fell to a two year low

against the D-Mark on Tues-

The market was cheered by

The D-Mark was again the

dominant currency. Not only

did it keep sterling and the dol-

Interest rate optimism in

(Sch) 18.5989 -0.0267 897 - 081 (DFr) 48.5467 +0.0881 233 - 700 (OK1) 9.2856 +0.0096 803 - 909 (PM) 7.2853 +0.0155 809 - 869 (DM) 2.3584 +0.0021 570 - 586 (DI) 369.885 -0.213 728 - 042 (K2) 1.0058 +0.0021 505 - 096 (L) 2511.11 +8.79 018 - 203 (LFr) 48.5467 +0.0031 410 - 443

+0.007 630 - 642 +0.0072 051 - 091 +0.0128 932 - 964

+0.0021 929 - 957 2.0957 2.0929

4,858 2,540 2,882 1 2,368 0,083 2,283 0,988 1,192 2,049 1,184 2,358 1,075 1,509 1,533 1,883

0.380 0.973 0.412 0.496 0.873 0.506 1.005 0.458 0.643 0.653

10.3340 243.765 202.935 11.5129

2.1943 9.2951 1.5635

CROSS RATES AND DERIVATIVES

lows, at L1.065 and FFr3.47.

bond markets.

Europe Austria Belgium Denmerk

Greece Ireland

SDRT

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Strike Price

UK INTEREST HATES

LONDON MONEY RATES

High 93,07 92,35 91,89 93.05 92.31 91.86 +0.14 +0.17 +0.20 W SHORT STEPLING OPTIONS (LEFE) 2500,000 points of 100% 1.20 1.42 1.66 0.05 0.03

Low

-0.0006 0.7973 -0.0006 0.7923

BASE LENDING RATES

Sterling had a steady day yesterday, resisting the rout predicted by some observers and eurodollar futures. The June enrodollar contract finished on LIFFE at 93.13, from 92.96, While the June short sterling future closed at 92.32, from 92.14. The Mexican peso continued

data which suggested the inflation outlook was better than believed, following Monday's its slide against the dollar, finpoor producer inflation data, poor producer inflation data, which contributed to the to 5.34 pesos a week earlier. Sterling closed in London at ■ Most analysts seemed to DM2.3584, from DM2.3563. It

think that stories of a sterling was firmer against the dollar, at \$1.5635, from \$1.5567. crisis were overblown, and comparisons with Black Wednesday, when sterling exited from the ERM, inappropriate. Mr Chris Dillow, economist

lar under pressure, but also the lira and French franc, both of which finished close to record that while politics was being cited as the main source of The dollar remained weak, finishing at DM1.5084, from Pound in New York DM1.5137, although it later ral-—Latest— — Prov. close hed slightly in New York on the back of strong equity and

at Nomura in London, said

+0.0018 (90 - 068 | 1.0079 | 1.0027 | 1.0052 | 0.7 | 1.0045 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029 | 0.5 | 1.0029

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5.443 2.845 3.229 1.120 2.829 0.105 1 2.558 1.084 1.302 2.295 1.326 2.642 1.204 1.690 1.718 2.110

83,016 4,807 751

39,580 1,541 187

7% - 7% 7% - 7%

502.1 262.5 297.8 103.4 242.6 9.705 92.24 235.9 100. 120.1 211.7 122.3 243.7 111.1 155.9 158.6 194.6

21.28 11.13 12.62 4.381 10.21 10.411 3.910 10 4.239 5.091 5.091 5.188 10.33 4.706 6.609 6.717 8.251

478.0 218.5 248.0 88.05 201.9 8.080 76.80 196.4 63.26 100. 176.3 101.9 202.9 92.48 129.8 131.9 152.1

23.77 12.40 14.07 4.881 11.45 6.458 4.357 11.14 4.723 5.673 10 5.778 11.51 5.240 7.384 7.484

Latest 1.0199 1.0310

IL STERLING PUTURES (MM) 282,500 per 2

2,19672 40,2123 13,7167 1,94964 0,808628 7,43679 6,53883 192,854 154,250

6.07 3.74 1,85 0.64 0.14

PANILADELPHIA SE E/S OPTIONS E31,250 (cents per poure

CALLS Apr 6.23 4.19 2.51 1.38 0.65 0.26

+0.03 +0.14 +0.13

ABURY BILL FUTURES (MM) \$1m per 100%

0.07

0.13 0.05 0.05

0.08 0.03 0.01

93.62 93.12 92.74

BUROMARK OPTIONS (LIFTE) DATA points of 100%

6.50 4.59 3.01 1.87 1.06 0.54

High 93.63 93.18 92.75

94,22 93,79 93,30

Mar 0.02 0.14 0.38

Low

93.58 92.96 92.57

Apr 0.27 0.49 0.73

EMS EUROPEAN

Feb 15

1,500 1,525 1,550 1,575 1,500 1,625

Strike Price 9475 9500 9525

Strike

+0.0021 +0.0019

+0.0004

market might be worried about politics. "The market is trying to

الماء الشميوسهيديان وتهويوا أسم وووا الأناب أدام والمادا والارتجاب

jump a gun that may not even go bang," he said. Mr David Cocker, economist at Chemical Bank in London,

laid more stress on politics. He said that in the eyes of the foreign investor, the tensions between the Tories and the Ulster Unionists must have seemed sufficient to make an election imminent. They would also have been concerned, he said, that Tory

squabbles over Europe might consign the UK to the outer core, where governments are less vigilant in fighting infla-

While few analysts are inclined to get bullish about sterling now, there is little sense that it is overvalued. Swiss Bank Corporation, for purchasing power parity rate

Against the dollar (\$ per £)

ainst the D-Mark is DM2.33. Mr Cocker commented: "Normally the combination of strong growth and low inflation would be a dream, but politics seems to have a way of getting in the way."

■ Some observers said the story was more one of D-Mark strength, than sterling weakness. Mr Tony Norfield, UK

Sterling steady as D-Mark strength continues treasury economist at ABN AMRO, cited the behaviour of options prices over the past

While the price of sterling put options against the D-Mark (giving option holders the right to sell sterling) has risen by around 15 per cent, there has been virtually no price change against the dollar.

This is an indication that the problem is not one of generalised sterling weakness, otherwise holders of sterling would also be seeking protection against the dollar. Instead, sterling actually rose against

■ While the 3.3 per cent rise in the retail price index was expected, it was the 0.9 per cent fall in retail sales in January that prompted the rally in short sterling. This encouraged the view that the UK economy might be slowing, and hence that interest rates could be approaching a plateau.

was also a factor in the rally. Mr Richard Phillips, analyst at brokers GNI, said the market had been caught "short", and the rush to cover positions had

WORLD INTEREST RATES

TOTAL

5.82 5.82 4.25 4.25

EURO CURRENCY INTEREST RATES

5-2 - 4-3 5-3 - 4-3 5-4 - 4-3 5 - 4-3 5 - 4-3 5 - 4-3 5 - 4-3 6-1 - 7-2 6-1 - 7-2 6-2 - 5-3 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 7-1 - 7-2 6-3 - 6-3 6-3 - 6-

-0.06 -0.08 -0.07 -0.06

THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

+0.03 +0.07

+0.02 +0.03 +0.01 +0.02

+0.09 EE MONTH ECU FUTURES (LIFFE) Sculm points of 100% Open Sett price Change High

> +0.03 +0.03 +0.05 +0.05

■ THREE MONTH EUROLIKA INT_RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC PUTURES (LIFFE) SFrim points of 100%

THREE MONTH EURODOLLAR (LIFFE!" \$1m points of 100%

Sett price Change

94.00 93.49

Open Sett price Change

93.13

90.84 90.13 89.69 89.39

Open Sett price Change

54 - 5% 5 - 4% 5 - 4% 5 - 4% 6% - 6% 3% - 3% 7% - 7% 64 - 8% 64 - 8% 64 - 8% 24 - 2% 24 - 2%

High

High

High

95.67 95.37 95.04

93,30 92,87 92,38

Low

93.98 17.850 44.085 93.45 41.979 45.984 93.14 10.518 35.748 92.86 4.085 18.502

523 177 200

Est vol Open et.

Est voi Open int.

Low Est. vol

420 36

92.80 92.85

6.35 6.31 4.688 5.125

MONEY RATES

week ago

week ago

week ago

E \$ LIBOR FT London

prompted the rally. December short sterling is still discounting three month money around 8.5 per cent, a rate considerably above what most economists expect.

Cash market rates eased slightly, with three month LIBOR finishing at 6# per cent, from 62 per cent, and one year money closing at 7% per cent, from 8 per cent. The Bank of England pro-

vided money markets with £5m

assistance at established rates,

and £265m late assistance.

after forecasting a £400m short-

2718.00 - 2721.00 1748.00 - 1750.00 0.4667 - 0.4672 0.2986 - 0.2987 3.8098 - 3.8146 2.4375 - 2.4390 The position of the market

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13				450 - 550		31.0050	31.104	1.0	31.059	60	30.844	0.9	107.3
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	M) 4.84	68 -	0.0063	433 - 503	4.6705	4.8283	4.6504		4.6461	0.6	4.6356	0.4	83.9
ěΕ		44 -	0.0129	341 - 345			5.2449	0.6	5.2405	0.5	5.2198	0.5	107.0
Ò	MO 1.50	84 -	0.0053	090 - 088	1.5113	1.5064	1.5124	7.0	1,5092	1.2	1, 1929	1.4	108.9
Ì	Dr) 236.5	75	-1,17	550 - 600	239.900	236.050	240.045	~11.6	244.495	-11.4	262.245	-10.3	68.2
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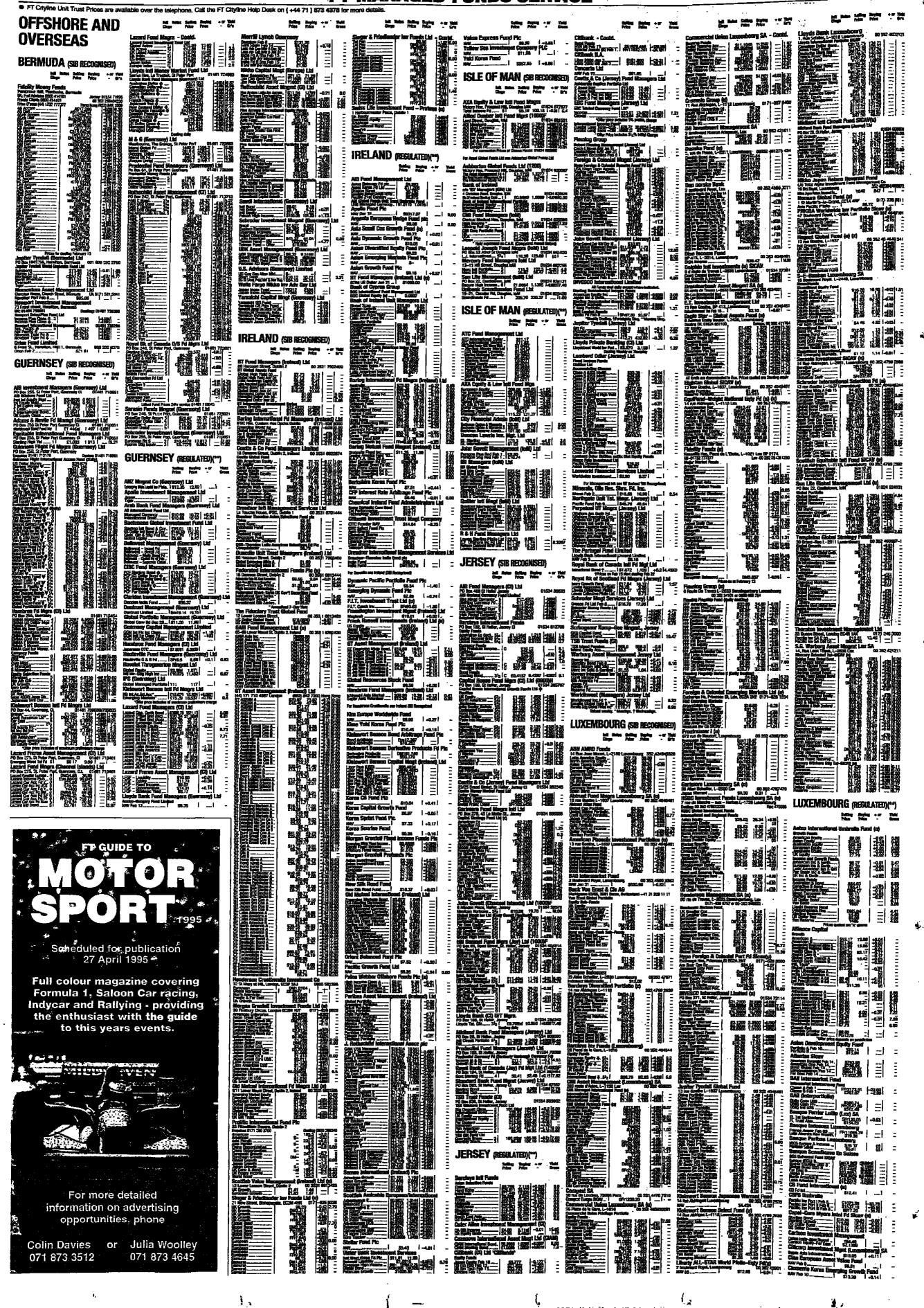
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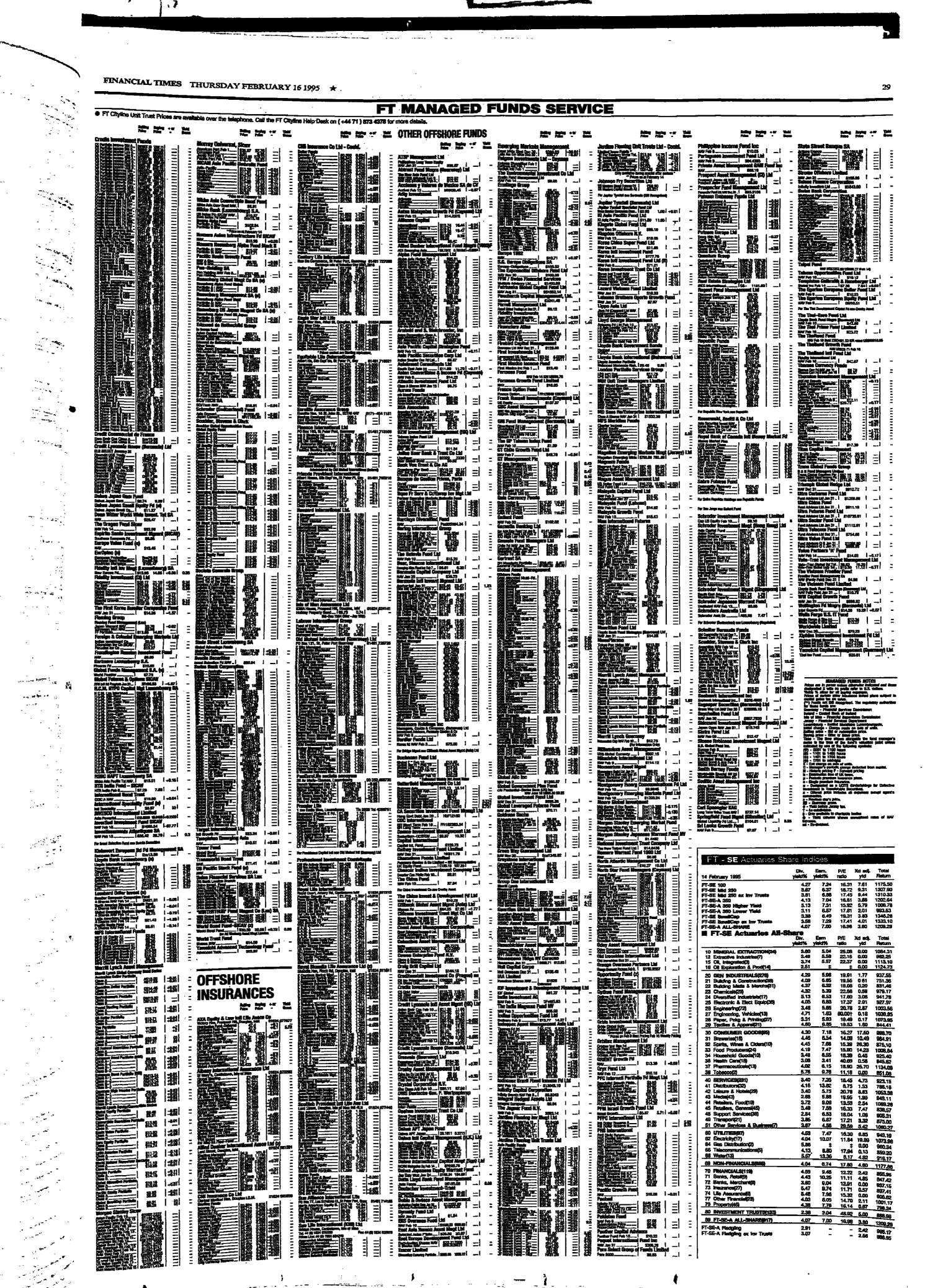
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4.

LONDON STOCK EXCHANGE

Firm close follows flow of economic statistics

By Terry Byland, UK Stock Market Editor

It was left to British and US government bonds to come to the aid of a UK equity market unsettled yesterday by confirmation of a sharp fall in domestic retail sales. The FT-SE 100-share Index turned firmer only at the end of the session when gilts were sharply higher and the Dow Industrial Average had

However, traders expressed satisfaction with the UK market's overall response to the day's heavy list the Atlantic. The gains in UK gov-ernment bonds, in spite of some the 0.9 per cent fall in January

continued nervousness over ster- retail sales and in the continued ling, appeared to set a favourable background for equities when the

market opens this morning.
The FT-SE 100 Index finished a net 3.6 up at 3.074.9, having been nearly 11 points off in early trading as dealers positioned themselves for the UK economic data.

The 3.3 per cent jump in UK annual inflation in January, while uncomfortably close to the upper end of the official target range, was in line with market predictions. Taken together with a dip in British unemployment, the inflation num-ber was considered acceptable, but

cloud over sterling.

Supported by firmness in UK gilts, equities steadled, but remained nervous as investors waited to see how New York would take its own barrage of economic data. In the event, growth of 0.4 per cent in the US CPI and also in industrial production, together with a very strong capacity utilisation figure, was regarded as acceptable, and likely to ease pressures for a further raising of Federal Reserve interest rates

US Federal bonds turned higher but London was slow to follow until the Dow Industrial Average threw off early hesitancy to record a gain

of 28 points in UK trading hours, coming close to challenging its all-time record.

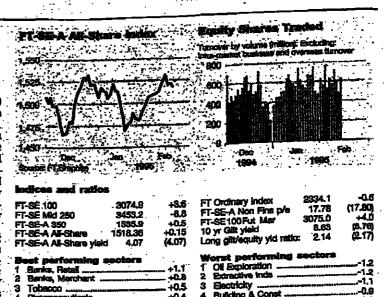
Market strategists settled for a favourable view of yesterday's session, which had been regarded as a significant test of stock market optimism on interest rates, both in the UK and the US. Some analysts, pointing to worries which have settled around sterling, suggested that the fall in retail sales could be interpreted as an indication that UK hase rates may be too high at

The late unturn focused on the blue chip Footsie stocks, and the second line issues had little opportunity to participate. At a closing

reading of 3,453.2, the FT-SE Mid 250 Index was 8.8 points down on the

Bid speculation, which has been a significant driving force behind the latest upturn in equities, remained a feature. Wellcome's defence document against Glaxo's unwanted £9bn-plus bid received a dusty answer from Glaxo and left the market to weigh the chances that a new bidder may yet enter the lists.

The excitement prompted among the regional electricity companies gar House bid for Northern Electric turned towards some other utility stocks, and hints of takeover moves in the financial sector returned.



Focus on Wellcome defence

The bid battle in pharmaceuticals sector hotted up yesterday as Wellcome published its defence to Glaxo's £9bn-plus bid. Also, the possibility that a counter-bidder might step in appeared to gain

Wellcome released a set of forecasts for its key treatments which was higher than the estimates of many analysts. Consequently, its share price gained 8 at 1023p, putting it at a possible premium to the

Glaxo offer price. At that level, according to Mr Ian Smith of Lehman Brothers, it is about 15p ahead of the theoretical offer price. "It is proof that the market is just starting to think there is an outside chance that someone else will come in with a higher offer," he said.

Several pharmaceuticals experts commented that Wellcome's defence meeting contained large amounts of surprisingly steely confidence. "It has effectively put itself up for sale now and is making a strong case that it is worth more than Glaxo is prepared to pay," Mr Smith added.

Other analysts were more cautious, arguing that the game had not changed. They said Wellcome's claim that it was undervalued was irrelevant as it was only worth what the market would pay for it. Glaxo was steady at 643p. Shares in Ladbroke, the UK merger talks between S.G.

hotels and leisure group, attracted attention as word went round the market that Kleinwort Benson was bidding 180p apiece for 8m shares.

Kleinwort is believed to have had few problems in obtaining the stock. It sold on the major ity of the holding in a block of about 6m transacted at 182p, although dealers suggested smaller blocks were traded at 181p. Turnover in Ladbroke at

shares 1½ up at 178p.
There was little hint of the identity of the buyer nor the seller, although the shares have been in demand in recent sessions and have outperformed the market by about 1.6

One analyst close to the company said the stock was "very much back in favour" with some of the bigger investors and pointed out that three of the market's leading institutions have been recent buyers of the stock. He said buyers were attracted by the improved management, the reduction of debt and the improved pros-

pects for international hot Takeover speculation in the merchant banks revived vesterday and drove shares of Kleinwort Benson up to their highest closing level since Feb ruary last year.

of a 900p a share bid for Kleinwort were rife at the outset of trading, triggering a burst of buying interest which lifted the stock to 650p at one point. Kleinwort, along with S.G. Warburg and to a lesser extent Schroders, has been the subject of sustained bid speculation since news of the proposed but ultimately unsuccessful

Warburg and Morgan Stanley. With no bid news emerging and some fund managers starting to get edgy about Kleinwort's preliminary results, due this morning, the shares came off and closed only 4 higher at 630p. Turnover

in the stock was 1.3m. Analysts expect Kleinwort to post profits in the range of £88m to £100m, with most esti-mates bunched between £95m to £98m; the dividend is expected to be raised by 13 per cent on the year to 21p, against 18.5p, although some analysts say there is room for disappointment in profits and the

S.G. Warburg shares, buffeted by the recent defections, the resignation of Lord Cairns and another profits warning, staged a good rally, gaining 19 at 729p, with recovery hopes and renewed bid speculation behind the buying interest.

Smith New Court, the securi-

ties house, was another of the big market trading houses to attract speculative attention. climbing 12 to 432p on unusually high volume of 1.3m The strong rally by the Hong

Kong market prompted a similar move by HSBC shares, which jumped 20 to 671p on 4.4m traded, while demand from income funds and straight buy recommendations from Credit Lyonnais Laing and Warburg Securities were said to have lifted Lloyds Bank

9½ to 576p. NatWest Securities was said to have been bearish on Royal Bank of Scotland and triggered sufficient selling to leave the shares 7½ off at 411½p. Insurances were largely subdued, although a Kleinwort Benson sell note left Guardian

Royal Exchange marginally easier at 181p. Some of the froth in the electricity and water stocks was blown away as action funds

FINANCIAL TIMES EQUITY INDICES

	Feb 15	Feb 14	Feb 13	Feb 10	Feb 9	Yr ego	1Hgh	"Low _
Ordinary Shere	2334.1	2334.7	2344.4	2384.8	2358.2	2633.0	2713.6	2238.3
Ond, div. yield	4.53	4.50	4,48	4,44	4.46	3.49	4.86	3,43
Earn. ytd. % full	6.76	6.66	6,63	8.57	5.80	3.82	8.84	3.82
P/E ratio net	17,48	17,82	17,89	18.04	17.98	33.32	33,43	16.91
P/E ratio nii	16.65	16.94	17.01	17.16	17.10	30,80	30.80	16.37
For 19945, Ordina FT Ordinary Share I	ry Share in Index base	dax aince date 1/7/	completic 16.	n: high 27	13.6 2/02	94; low 48	.4 <u>28/6/40</u>	1
Ordinary Share	harrier of	donak						

highest closing level since Feb- ruary last year.	Ordinary Share Open 9.03				13.00	14.00	45.00	18.00	15-4	
	- 4000	1000	11200	12.00				10000	1	
Dealers said market rumours	2333.1 2333.1	2326.3	2329.1	2331.0	2328.5	2328.0	2332.7	2329.9	2334.2	2324.0
of a 900p a share bid for Klein-			Feb 15	5 Feb	14	Feb 13	Feb '	10 F	eb 9	Yr ago_
wort were rife at the outset of	SEAO bargains		22,58	4 23	.517	22,282	23,6	16 2	4.582	31,314
trading, triggering a burst of	Equity turnover	Emit	-	- 13	9.0	989.9	128	10 1	681.0	1622.5
buying interest which lifted	Equity bargainst			- 30	,552	31,183			1,934	35,863
the stock to 650p at one point.	Shares traded (n	nO†		- 6	24.8	495.9	596	15	713.4	867.5
Kleinwort, along with S.G.										

ises and feits"		1994/95 Highs a	and lows	LIFFE Equity optic	NTS
otal Rises	429	Total Highs	24	Total contracts	49,52
otal Falls	710		115		26.07
erne	1,699			Puts	23,44

and speculators moved in to take profits after Tuesday's spectacular rises. This followed news that the Trafalgar House bid for Northern Electric will

he allowed to proceed. The market's favoured bid target in the recs, Yorkshire Electricity, eased only a frac-tion to 883p in spite of the nonappearance of the expected bid from Hanson. Other so-called hid favourites to lose ground included Seeboard, 19 off at 444p, South Western, 20 lower at 849p, and Norweb, 21 down

Northern, however, edged up 2 to 1093p, with the market awaiting the bid defence document - which many expect to include a bumper special dividend of 150p - scheduled for tomorrow. Northern Ireland Electricity, left behind by the

English recs, rose 9 to 356p. Water stocks were more resilient than the recs, with Northumbrian notably firm and finally 12 higher at 766p.

Chemicals group British Vita eased 2 to 224p after a particularly heavy trade was reported. A line of 4.1m shares, representing 1.8 per cent of the equity, passed through the Seag electronic ticker at 216b. Profit-taking in Granada Group left the shares a penny lighter at 525p. The company chairman gave a bullish account of the group's future

prospects, which prompted several brokers to upgrade profits expectations. Hoare Govett raised its current year forecast by £11m to £328m and the following year's figure by £20m to £375m. Mr Andrew Hunter at the broker said his move "reflects scope for organic growth irrespective of any major acquisition".

upgraded its figures. It was also light profit-taking that left Thorn EMI trailing a penny at 1050p. Kleinwort Benson issued a bullish 50-page circular on the stock. Urging investors to buy the shares,

tions of Thorn EMI are that its three global businesses are in markets with strong growth prospects and it can fund expansion from within its own

Elsewhere in the sector, Parkdean Leisure jumped 83 to 172p following an £18m recomnded bid from Vardon, 5 lighter at 132p. The bid senti-ment also boosted Stanley Leisure and the shares closed 4

ahead at 369p. Mersey Docks and Harbour gained 10 at 385p after the group reported a 61 per cent increase in profits and a better than expected improvement in the dividend.

Mr John Lawson at Charterhouse Tilney was pleased by the figures and raised his current year earnings per share forecast from 26.6p to 27.5p and said 1998's Medway Ports acquisition is likely to prove it was a very good deal.

Several brokers said they would be upgrading current year profits forecasts.

		ND OP	•				i
FT-69	100 NDEX	FUTURES (UFFB) \$25				<u>-</u>
	Open.	Sett price	Change		LOW	Est, vol	
Mar	3073.0	3076.0	+4.0	3095.0		15814	8042 996
tun .	3081.0			3093.5	3073.0	1484 0	172
ों क् र		\$108.0 ·				-	,,,
FT-85	MED 250 P		NES (LIFTE	210 per f	ull Index poi	al	
	3485.0		+0.0	3465.0		50	4031
lun Iun	3485.0		-0.5	3485.0	3485.0	50	. 0
		OPTION (L)					326
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ub 17 lev 18	2900 25 2 P C 3 1 123 ¹ 2 12 7 ¹ 2 138 ¹ 2 12 7 ¹ 2 138 ¹ 2 12 7 ¹ 3 153	P C 1 74 ¹ 2 1 13 ¹ 2 97 ¹ 2 2	0 3050 P C 12 29 32 83 3	3100 P C (B 5 3 19 37 6 17 12 8	3150 P C P I3 1 82 I3 19 96 I1 40 ¹ 2 120	3206 G P 1 132 9 137 ³ 25 ¹ 2 155	C 1 1 2 3
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eb 17 fer 18 fer 19 fer 20 fer 20 fer 22 sebs 8,893	2900 25 F C F 1 1231 12 71, 1362 12 211, 153 14, 32 1772 15, 43 Pata 8,854	150 300 P C 1 74 ¹ 2 1 13 ¹ 2 27 ¹ 2 2 33 ¹ 2 117 45 140 8 135 ¹ 2 7	9 3050 P C I ¹ 2 29 3 ¹ 2 83 3 G 47 ¹ 2 6 I ¹ 2 111 ¹ 2 8 4 ¹ 2	3100 P C (8 5 3 89 37 6 7 12 8 14 85 1 1994 1	3150 P C P I3 1 82 I3 19 96 I1 40 ¹ 2 121 96 83 134 19	3200 C P 1 132 9 137 25 ¹ ₂ 155 2 45 ¹ ₂ 168 59 ¹ ₂ 178	C 1 2 3 15 ¹ 2 1
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MARKET REPORTERS: Steve Thompson. Peter John.

LONDON RECENT ISSUES: EQUITIES

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FINANCIAL TIMES

H		Eah 16	Day's	. • Feb 14	Esh 19	Esb. 10	Year .	Div. yleid%	Earn. ysigict%	P/E	Xd adj	. Total Return
1	FT-SE 100 FT-SE 18d 250	3074.9 3453.2		3071.3				4,28 3,68	7.23 6.39	16.33		1176,87 1304,57
Ì	FT-SE Mid 250 ex law Trusts	3463.5					4066.8			17.41		1306.64
	FT-SE-A 350	1535.9	_	1535.4	:537.5		1728.6		7.04	16.81	3.88	1203.02
	FT-SE-A 350 Higher Yield	1566.1	_	1565.4				5.13	7.51	15.93		1009.23
	FT-SE-A 350 Lower Yield	1505.5			1511.7			8.11	6.57	17.82		993.70
i	FT-SE SmallCap FT-SE SmallCap ax Inv Trusts	1719.71 1696.69		1895.80			2076.05	3.38 3.58	6.48 7.28	19.32 17.42		1847.17 1333.80
	FT-SE-A ALL-SHARE	1518.36					1717.78	4.07	7.00	16.98		1209.41
ı	II FT-SE Actuaries All-S				10.000		.,					
1			Day's				Year	DIV.	Eem:	P/E	Xd adj.	
1		Feb 15	chge%	Feb 14	Feb 13	Feb 10	20 0	yleid%	yleki%	ratio	УE	Return
ı	10 MINERAL EXTRACTION(24)	2675.51		2685.80				3.61	5.06	24,98	0.00	1080.15
ı	12 Extractive inclustries(7)	3448.72 2891.72		3487.14				3.52 3.74	5.65 5.57	21.89 22.84	0.00	951.10
١	15 OR, Integrated(3) 16 Oil Exploration & Prodf14)	1919.99		2695.42 1943.95				2.54	3.5r	±	0.00	1111.57 1110.67
1	20 GEN INDUSTRIALS(278)	1818.77		1820.95				4.30	5.99	19.89	1.77	936.43
l	21 Building & Construction(38)	942.33		950.79				4.13	6.71	19.38	0.81	744.68
ł	22 Building Matis & Merchs(31)	1735.37	-0.7	1746.84	1762.07	1773.92	2339.68	4.40	6.37	18.95	0.20	825.03
ı	23 Chemicale(23)	2194,04		2190.93				4.32	5.38	22.60	0.59	980.56
١	24 Diversified Industrials(17) 25 Electronic & Elect Equip(36)	1816.73 1890.48		1815.73 1875.95				5.13 4.04	6.53 6.82	17.61 17.41	3.06 2.01	942,29 930,21
Į	25 Engineering(72)	1736.22		1738.12				3.48	5.66	20.78	2.01	1002,47
Ì	27 Engineering, Vehicles(13)	2122.48		2124.26				4.71	1.63	80.001	0.18	1039.08
١	28 Paper, Poleg & Printing(27)	2707.21		2712.58				3.32	5.84	19.46	0.17	1071.63
١	29 Textiles & Apparel(21)	1469.18		1473.28				4.61	6.87	19.47	1.60	842.07
ı	30 CONSUMER GOODS(95)	2962.70 2157.28		2956.09				4.29 4.44	7.18 8.52	16.81 14.13	17.50 10.49	1001.01
ı	31 Brewerise(18) 32 Spirits, Wines & Cidera(10)	2580.77	+0.1	2151,28 2582,98	2147.04 2808.81	2140.2U 2616.6S	3123.60	4.44	7.87		25.30	878.40
ı	33 Food Producers(24)	2356.78		2356.69	2350,86	2387.09	2535,47	4,19	7.47	15.90	14.23	1008.87
I	34 Household Goods(10)	2548.84		2563.97				3.49	6.56	18.35	0.45	923.54
1	38 Health Care(16)	1606.78 3524.64		1618.65 3509.68				3.11 4.01	3.44 6.12	40.39 18.98	0.58 25.70	938.67 1138.92
ı	37 Phermaceuticals(13) 38 Tobacco(2)	3748.60	+0.5	3731.03	S78124	3851.89	4165.18	5.73	9.72	11.23	0.00	855.09
1	40 SERVICESCOTO	1854,44		1867.90				3.41	7.26	18.42	4.73	921.43
ı	41 Distributors(32)	2254.03	+0.2	2248,47	2256.61	2260.57	319247	4.15	13.79	8.78	1.53	788.13
1	42 Leisure & Hotela(29)	2111.73	-0.2	2115.34	2116.11	2129,25	2355.96	3.41	8.78	20.74	8.83	1051,58
ı	43 Medio(43) 44 Retailets, Food(16)	2710.78 1770.18		2723.86 . 1769.26				2.70 3.72	5.90 9.05	19.85	1.99 2.54	944,55 1069,81
ı	45 Retailers, General(45)	1527.97		1533.29				3.51	7.82	16.28	7.47	835.88
I	48 Support Services(38)	1473.87		1477.10				2.85	8.54	18.00	1.08	903.33
ı	49 Transport(21)	2215.18 1206.93		2211.96 : 1216.60 :				3.85 2.70	6.86 1 4.60	17.23 29.35	3.32 5.42	876.27 1051.84
1	51 Other Services & Business(7)											
ĺ	60 UTALITAES(87) 62 Electricity(17)	2386.98 2482.21		2393.84 ; 2609.63 ;				4.54 4.09	7.49 10.18	16.25 11.71	6.85 19.89	940.48 1062.27
ĺ	64 Ges Distribution(2)	2050.76	+0.3	2044.61	2042.04	2051.63	2219.77	5.84		#	0.00	963.22
ı	66 Telecommunications(5)	1961.91	+0.1	1979.59	1980.78	2011.52	2330.26	4.12	6.79	17.95	0.13	860.21
١	88 Water(13)	1791.91		1796.73				5.59	13,39	8.15	4.62	<u>913.71</u>
١	69 NON-FENANCIALS(065)	1642.42		1644,21				4.05	6.75	17.78		1178 <u>.40</u>
1	70 FINANCIALS(119)	2154.80		2141.42				4.57	9.43 10.14	12.30	242	861,23
ŀ	71. Banks, Retali(8) 72. Banks, Merchant(8)	2838.84 3111.22		2809.21 : 3085.57 :				4.39 3.57	8.97	11.23 13.02	4.86 0.00	856.36 944.94
١	73 insurance(27)	1209.48	-0.11	1210.48	204.69	1210.98	1504.83	5.47	9.75	11,70	0.57	836.71
١	74 Life Assumnce(5)	2548.89	+8.4 3	2340.56	2348.18	2959,99 2	2754.37	5.44 4.02	7.93 8.03	15.38 14.73	0.00	909.05
1	77 Other Financial(23) 79 Property(46)	1971.53		1851.13 ¹ 1375.04 ¹				4.39	7.78	16.10	2.11 0.67	1005.20 796.20
ı	80 INVESTMENT TRUSTS(133)	2627,A7		2626.09				2.98	2.04	48.95	5.00	889,44
l	89 FT-8E-A ALL-SHARE(917)	1618.96		1518,21				4.07	7.00	18.98		1209.41
ĺ	FT-SE-A Fledding	981,99		982.77			····	202			2.42	984.30
١	FT-SE-A Fledgling ex inv Trusts	963.34		984,42			· <u>-</u>	3.08	Ξ	Ξ	2.55	985.87
l												
ĺ	■ Hourly movements				٠.	:	-		-			
ı	Open 9.00	10.50	11.0	0 12	.00 1	3.00	14,00	15,00	16.10	High	/day L	ow/day
ı	FT-SE 100 3071,5 3072.4	3082.8	3066	2 306	9.4 3	3.690	3068.1	3070.4	3066.		_	060.5
ļ	FT-SE Mid 250 3463.5 3465.1	3459.4	3468	.9 345	9.3 3	455.1	3464.5	3453.7	3453.1	· 346	5.8 .5	452.1
l	FT-SE-A 350 1535.7 1536.2	1531.9	1533.	.1 153	M.A . 15	532.0	1532.6	1534.2	1533.4	153	62 1	530.9
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	WORLD STOCK MARKETS
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Housely changes

US stocks at record levels by midsession

Wall Street

US share prices pushed into record territory in intraday trading yesterday morning as the bond market soared after the release of economic data indicating that the economy might be slowing, writes Lisa Bransten in New York.

At 1 pm the Dow Jones Industrial Average was up 82.29 at 3,990.54, surpassing its record closing high of 3,978.36 set on January 31 of last year.
The more broadly based Standard & Poor's 500 gained 2.28 at 484.83, also passing the record high of 482.55 set on Puesday. The American Stock Exchange composite index increased by 0.64 to 448.13. The Nasdaq composite rose 3.66 to 794.28. Trading volume on the New York Stock Exchange

came to 210m shares. Just before the market opened the Federal Reserve Board reported that industrial production had risen by only 0.4 per cent in January versus gains of 0.8 per cent and 0.9 per cent in November and

Growth in capacity utilisation figures, also released by the Federal Reserve Board, also slowed in January rising to 85.5 per cent from 85.4 per cent in December; although the January capacity utilisation number did set a new record, it was lower than the median forecast of 85.6 per cent, and the increase was much smaller than gains posted in November and December.

Capacity utilisation and industrial production figures are considered important because members of the Fed's board of governors have consistently pointed to rising fig-

sessions, down 18.80 at 967.85

ernment securities.

NATIONAL AND REGIONAL MARKETS

Belgium (35) Brazil (28).....

Hong Kore Instand (16

Treasury bill auction on Tuesday.

BUENOS AIRES shed 5 per cent in nervous

midday trade, with the Merval index, which had

already lost 15 per cent in the previous eight

Investors found little encouragement from a

MEXICAN equities fell in early trade, hit by

the results of the latest primary auction of gov-

The benchmark primary interest rate on 28-

The IPC index was off 45.88 at 1.875.20.

tightening monetary policy. Signs of slowing in the data may cause the Fed to hold off on another interest rate

Less attention was paid to figures from the labor department that showed the consumer price index had risen 0.3 per cent in January overall, and 0.4 per cent in the core index, which excludes the volatile food and energy compo-

Although the figure was only slightly higher than the median estimate of 0.3 per cent for both the overall CPI and the core index, it was the largest rise for the core figure since October of 1992.

Some economists said the figures might be indicative of price pressures but were not willing to say that inflation was spilling over to the consumer level, based on one month's figures.

Thoughts that the Fed might not raise interest rates gave a boost to economically sensitive cyclical shares.

The Morean Stanley index of cyclical shares was up nearly 1.0 per cent, while the counter part index of consumer shares gained only a little more than 0.1 per cent.

Dow Chemical was up \$1% at \$67%, CSX gained \$1% at \$76%, International Paper increased \$1 at \$77% and Georgia Pacific rose \$1% at \$77%.

ADRs of Luxottica, the Italian maker of spectacle frames. gained more than 4 per cent rising \$1% at \$38% after both Goldman Sachs and Merrill Lynch put the stock on their respective recommended lists.

Canada

Buenos Aires declines by 5%

Toronto was pulled along in

40 per cent.

4,134.20 by noon in volume of

28.6m shares worth C\$345m.

Advancing issues pulled ahead

of declines by 265 to 246, with

sub-indices posted gams. Base

metals eased 4.02 to 3.973.99

and transportation was also

lower, dropping 26.81 to

Strong groups were led by the banking, consumer prod-

ucts, precious metals, forestry

C\$% to C\$12 in volume of 1.3m shares, as was Gandalf Tech-

nologies, unchanged at C\$3.20

However, Hayes-Dana gave up C\$% to C\$17% after Tues-

day's sharp gains following

news of a takeover offer from

Gold's push towards \$377 an

ounce and a slight easing

in the financial rand were both factors helping later

The overall index ended 7

firmer at 5,191, the industrial

index was 2.8 better at 6.244.6

and the golds index gained 16.5

Tuesday's loss which followed

its plans for a rights issue, ris-

ing 6 cents to R4.26.

Iscor recovered some of

Elsewhere, Gencor put on 5

cents at R13.05 and SAB col-

lected 25 cents at R89.50. Vaal

Reefs gained R2 at R291 and

with 1.2m shares traded.

SOUTH AFRICA

Dana Corp.

at 1.619.5.

day T-bills, or Cetes, rose by 480 basis points to

Cemex B shares fell 5.73 per cent, while steel

company Hylsamex shed 5.6 per cent.
SAO PAULO was affected by futures index

settlement. The Bovespa index was off 881 or 2.8

Analysts said futures contracts were mostly

rolled over to the following settlement in April. They said the number of open contracts for the

per cent at 31,041 in turnover of R\$152.9m.

next settlement rose to 37,090 from 30,738.

Gross Div. Yield

2.81 3.08 1.44 1.24 2.06 2.84 2.45 3.80 2.08 2.17 2.94

0.1 0.5 -1.1 -0.5 0.1 0.4 -0.7 -0.5 -0.3

Pound Sterling index

159.62 151.34 170.63 161.77 169.57 160.58 129.26 122.56 126.06 1192.56 126.06 1192.56 126.06 1192.55 126.53 124.53 167.87 178.22 184.30 155.77 145.81 139.25 322.15 305.43 212.55 201.53 80.45 78.28 144.92 157.40 486.31 46.89 992.57 222.21 210.86 1046.89 992.57 222.21 210.86 1046.89 992.57 221.4.40 203.26 347.47 229.44 193.47 128.80 144.89 22.00 149.46 189.41 145.27 149.20 141.46 185.41 185.27

187.25 187.55 171.45 162.54 223.60 221.56 152.86 144.93 160.51 152.18 192.85 182.85 154.59 146.57 231.11 218.12 160.90 152.55

163,08 108,79 134,73 144,43 -0.3 2.38 171,78 162,84 107,02 135,59 144,84 180,80 166,92 174,50

99.46 108.31 105.53 80.54 78.55 161.21 117.72 102.87 90.85 200.72 132.44 50.13 90.30 313.01 652.29 138.46 45.26 133.59 218.50 189.55 189.56 129.66 92.96 121.78

112.81 106.82 145.67 95.24 100.01 120.16 96.32 144.00 100.25

142.92 135.33 184.56 120.67 126.70 152.24 122.04 182.44

Nova was actively traded, up

and pipelines sectors.

All but two of Toronto's 14

SMH continues to attract attention

Feb 19

Individual corporate stories predominated, after the release of US economic data failed to provide momentum in late

Wall Street after the latest US ZURICH was lower, with the weaker dollar taking a toll. The SMI index fell 6.4 to economic data and firmer debt The TSE-300 Composite index was 23.7 higher at

SMH gained a further SFT29 at SF1685 as the company collected another buy recom dation, this time from UBS. The shares have risen by 15.7 per cent from their 12-month low set in December. The company announced lower 1994 profits, but still at the upper end of expectations, after the market closed, and news of a lower dividend came as no sur-

Swissair fell SFr19 to SFr750 in spite of an "open sky" accord between the US and Switzerland which should help the airline to cut losses on its North Atlantic routes. However, one analyst commented that the fall in the share price indicated the continuing degree of mistrust by investors for the airline industry. Among cyclicals, a SFr90

advance to SFr1.610 in Bohst

was attributed to a favourable

52 per cent over the next two PARIS made a slight gain, helped by late buying of major stocks. The CAC-40 index improved 5.81 to 1.861.90 in turnover of FFr4.1bn.

Alcatel Alsthom dipped FFr8.50 to FFr435.60, while its subsidiary Alcatel Cable gained FFr6 or 1.6 per cent at FF1380 after recovering from a low of FFr363.50 as it denied a

net profit outlook for 1994.

Schindler picked up SFr270

or 3.4 per cent to SFr8,100. James Capel, which recom-

mended the stock, said that

while clients should be buying

Schindler based on reported earnings only, "best guess" earnings would indicate that

the company could outperform

the market by between 42 and

FT-SE Actuaries Share Indices

Open 10.30 11.00 .19.00

Feb 14

1345.14

FT-SE Eurotrack 100 1342.55 1342.56 1342.56 1344.22 1343.67 1343.66 1344.86 1343.68 FT-SE Eurotrack 200 1392.36 1392.24 1393.17 1395.76 1394.32 1396.50 1396.57 1394.10

Feb 13

report that it had overbilled Electricité de France. Pechiney International con-

THE EUROPEAN SERIES

13:00 14:00 15:00 Diese

Feb S

Club Med, up FFr2 to FFr431, amounced after the close that

investors awaited the rele of US economic data. The DAX index added 1.80 at 2,135.04.

to DM7.7bm

tinued to come under pressure following disappointing results earlier in the week, the shares closing another FFr280 off at FF1184

it would not pay a dividend for the 1998/94 financial year, the FRANKFURT bided its time during the official session as

However, no fresh incentive was found in the post bourse, with the Ibis indicator ending at 2,135.49. Turnover amounted

RWE, up DM11.60 at

DM459.60, rose following better than expected results and the announcement of a telecommunications joint venture. Other utilities were mixed: Viag fell DM3.20 to 521.50 and Veba rose

DM1.40 to DM584.90. Philipp Holzmann gained DM12 at DM799 after announc-

ing a 25 per cent increase in 1994 operating profits.

Preussag fell DM2.10 to DM469.40, recovering from a

low of DM467 as it announced a rise in sales, which were in line with expectations. MILAN reversed early gains,

weighed down by the lira as it fell to a near record low gainst the D-Mark. The Comit index registered a 423 gain at 672.97 but the real-

time Mibtel index turned back from a high of 10,823 to end 20 off at 10,702. Banks remained under pressure. BCI fell L96 to L3,883,

while Credite Italiano declined L41 to LL872 Credito Romagnolo lost another L765 at L11.875 after Italiano said that it would accept shares, held by its rival bidders, into its successful buy offer

Olivetti receded L42 to L1.864 and Cir. Mr Carlo de Benedet-

ti's industrial holding company, dipped L18 to L1,691 on a re-emergence of worries over 1994 results.

BRUSSELS saw a heavy fall in Union Miniere on a sharp downturn in the price of zinc. The shares shed BFr55 to pareils chip

wice power

indecessor.

BFr2,035, but were up from a session's low of BFr1,960. The Bel-20 index firmed 0.15 to 1,358.55 in turnover of

BF11.8011. AMSTERDAM drifted lower. with the AEX index easing 0.70 to 413.27. Oce-van der Grinten, which announced the launch of new products, added FI 180

at F186.00. OSLO took in a further fall in Kvaerner, the engineer and shipbuilder, which on Tuesday posted weaker than expected 1994 results. The All-share index dropped 4.96 to 846.75 in turnover of NKr480.2m.

Kvaerner A shares, which lost NKr21 on Tuesday, shed another NKrII to 290, and the B shares fell NKr13 to NKr279. Hafshund Nycomed, due to publish its 1994 results today, lost NKr2 at NKr189.50.

Written and edited by John Pitt

ASIA PACIFIC Shares reversed early declines as a firmer bullion price pro-vided support in thin trade.

US, European demand lifts Hong Kong 3%

Equities in Hong Kong CS First Boston, the US investrebounded 3.1 per cent on a bout of afternoon buying by US and European institutional investors and local retail

The Hang Seng index finished 240.47 ahead at 8,103.14, its highest level since January 2. Turnover rose to HK\$3.12bn from Tuesday's HK\$2.7bn

Analysts noted a Morgan Stanley buy program, adding that US investors were increasingly expecting a positive out-come to the Sino-US trade talks, European funds had been picking up a basket of blue chips throughout the day, and that local retail investors were responding to unexpect-edly strong demand for Hang Lung Development's latest sale

Hang Lung advanced 65 cents to HK\$11.50. Among other property blue chips, Cheung Kong added HK\$1.30 at HK\$31.80 and Henderson Land HK\$1.60 at HK\$38.00.

15.57 or 1.5 per cent at 1,060.12.

The H-share index monitor ing mainland China stocks listed in Hong Kong gained

ment house, would retreat from the Japanese stock brokerage business also had a negative impact on investor

Traders are currently worried about the large arbitrage positions totalling Yl.3bn held by investors and dealers. Mr Yasuo Ueki at Nikko Securities said: "People are concerned that a fall in the futures market could prompt the unwinding of these positions."

High-technology stocks continued to lose ground. Sony shed Y130 to Y4,570. Heavy electricals were also lower, Hitachi losing Y13 at Y832. Large-capital steels and shipbuilders declined on selling by overseas investors.

Individuals liquidated holdings in privatised issues. Mppon Telegraph and Telephone retreated Y12,000 to Y708,000 and East Japan Railway dropped Y16,000 to Y433,000.

In Osaka, the OSE average shed 194.60 to 19,685.89 in volume of 118.2m shares. Nintendo, the video game maker. improved Y70 to Y5,160 on bargain hunting.

Renewed confidence was evident in some regional markets. SINGAPORE was helped igher by demand for selected blue chips, and a revival of interest in Neptune Orient Lines after a prolonged down-

The Straits Times Industrial index closed 18.62 up at the day's best of 2,107.69 in volume of 217.9m shares.

Analysts were hard pressed to explain Neptune Orient's rise, although they suggested that the revived interest might be the result of local press comment. The stock appreciated 11 cents to \$\$1.92 on volume of 3.1m shares.

KUALA LUMPUR picked up from early lows as buyars swarmed back into the market amid renewed expectations of a general election announcement soon. Polls are not due until the end of the year, but speculation is focusing on an election in late March or April.

The key composite index ended 6.29 higher at 979.28, up from an early 961.57, with Hong Kong's rebound adding to the upbest mood.

TAIPEI found support in reports of price increases for textile, steel and paper prod-ucts. The weighted index added 71.66 or 1.1 per cent at

6,576.25 in T\$56.1bn turnover. Electronic stocks led the gains, with Taiwan Semiconductor ahead T\$3.50 at T\$152, while Tung Ho Steel jumped the daily 7 per cent limit to T\$61.50.

index put on 8.1 at 1.842.9 in turnover of about A\$503.4m. In the mining sector, WMC rose 29 cents to A\$6.87. WELLINGTON, unimpressed

by Telecom's third-quarter results, which were in line with expectations, marked the shares down 2 cents to NZ\$5.40. The NZSE-40 Capital index gained 0.51 at 1,967.97 in turn-

over of NZ\$44.9m. SEOUL closed sharply lower for a second straight day as tight liquidity and uncertain market direction kept the mood depressed. The composite index was 15.40 or 1.6 per cent lower at 926.09, taking the two-day fall to 3.2 per cent.

MANILA saw San Miguel suffer from profit-taking following the beer conglomerate's 1994 results. The composite index declined 39.88 or 1.4 per SYDNEY was boosted by a cent to 2,620.68 in turnover of late rally following better than expected interim results from fell 1.5 per cent to 126 percent.

169

Com Estated

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emerging markets: IFC weekly investable price indices							
			Dollar terms	<u> </u>	IJ	ocal currency	terms
Market	No. of stocks		% Change over week	% Change on Dec '94	Feb. 10 1995	% Change over week	% Change on Dec 194
Latin America	· (258)	466.17	-7.7	-19.7			
Argentina	(30)	663.60	-6.8	-9.6	407,201.58	-6.9	-9.6
Brazil	(72)	302.86	-13.6	-21.2	946,831,283.0	-14.0	-22.3
Chile	(36)	737.50	-3.5	-6. 0	1,215.69	-3.2	-3.6
Colombia ¹	(16)	885.31	- <u>2.2</u>	+9.1	1,324.98	-2.5	+10.8
Mexico	(72)	448.93	-2,9	-26.2	1,085.47	+0.4	-15.9
Peru ²	(20)	137.15	-7.8	-23.1	184.63	-7.2	-22.4
Venezuela ^a	(12)	426.63	-2.5	-13.8	1,666,02	-2.5	-13,8
Asia	(659)	242.56	+5.2	-2.8			
China ⁴	(20)	70,13	+8.5	-7.6	74.76	+8.5	-7.7
South Korea*	(159)	124,99	+0.6	-8.6	130.56	+0.7	-7.9
Philippines	(25)	279.09	+5.8	-6.4	334.37	+5.8	-4.8
Talwan, China	(93)	150.17	+3.6	-8.7 `	148.34	+3.6	-8.6
india ⁷	(103)	107.38	-3.3	-13.0	119.68	-3.3	-13.0
Indonesia*	(42)	97.60	+2.3	-22	117.77	+2.4	-1.1
Melaysta	(114)	272.50	+8.4	+1.4	256.28	+8.2	+1.2
Pakistan"	(36)	340.52	+6.7	-7.Q	477.87	+6.8	-6.7
Sri Lanka ¹⁰	(19)	143.36	-9.5	-16.6	155.50	-9.4	-16.2
Thailand	(68)	377.12	+2.3	-1.7	375.25	+2.3	-1.8
Euro/Mid Easi	(147)	111.10	+2.7	-6.2			
Greece	(40)	210.71	-0.8	-6.6	340.62	-0.5	-7.4
Hungary ⁿ	(5)	113,95	-1.1	-24.9	156.16	-1.0	-24.4
Jordan	(8)	150,09	-1.0	+0.0	221.90	-0.7	-0.2
Poland ^e	(16)	396,51	+10.7	-15.5	610.06	+10.8	-15.3
Portugal	(29)	116.07	+0.6	-4.1	125.41	+0.2	-5.3
Turkey	(44)	115.21	+5.6	-5.4	2,226.49	+6.9	+0.6
Zimbabwe [™]	(5)	256,92	+0.1	+5.0	317.66	+0.0	+5.4
Composite	(1064)	275.21	-0.4	-10.5			

Oay's Change

126.36

..61.16

.169.22 .149.21 .193.99 .197.55

193.14

The Asian region has survived the worst of the post-Mexico fallout in emerging markets, down just 2.8 per cent in dollar terms over the year to date.

According to Mr Alan Butler-Henderson, Asian strategist at Baring Securities, the equity markets in Hong Kong and Malaysia could rise by some 20 per Elsewhere, Singapore is likely to maintain a defensive position, he said.

98.00 107.32 108.38 78.24 78.82 161.98 1102.89 97.92 198.58 131.52 50.63 89.24 500.65 632.13 138.97 46.13 138.97 46.13 138.97 154.27 105.58 93.07 721.01

113.03

151.16 163.87 119.46 120.35 247.32 180.85 157.09 140.34 303.21 200.81 77.30 138.27 458.06 985.18 203.92 329.74 288.81 128.37 235.55 142.11 184.76

172.58 163.59 224.50 143.84 151.98 183.95 148.28 218.38 152.34 160.90 178.86

0.1 0.8 -1.2 -0.6 0.1 0.7 -0.6 -0.6 -0.3

124.90 135.40 134.23 98.71 99.44 204.35 149.43 129.60 115.96 630.53 165.93 165.93 1797.51 175.33 56.94 108.50 272.46 238.47 108.90 194.63 133.17 117.42 152.68

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Small lot profit-taking depressed shares, and the Nikkei 225 average fell below the 18,000 mark for the first time since January 28, writes Emiko Terazono in Tokuo. The Nikkei clo down at 17,991.00 after a low of 17,905.95 and high of 18,093.45. Overseas investors and arbitrageurs liquidating positions were among the sellers. Volume came to 250m shares, against 256m. The Topix index of all first section stocks dipped 12.72 to 1,396.65 and the Nikkei 300 fell 2.15 to 256.17. Losers led gainers by

Nikkei 50 index eased 0.21 to 1.142.54. Traders believe that the next technical resistance point for the Nikkei 225 below 18,000 will be 17,785 reached on January 23. The Topix index fell below 1,400 for the first time since

775 to 202, with 179 issues unchanged. In London the ISE/

that date. Investors grew increasingly concerned over the growing political scandal involving the two defunct credit unions formerly led by a property speculator. An afternoon report that

120.54

141.07 120.54 275.27 238.58 181.44 157.78 150.40 128.94 447.19 277.40 216.60 177.66 97.78 57.25 170.10 139.45 594.78 984.78 223.30 191.28 77.20 52.05 216.03 177.53 401.38 294.66 342.00 205.68 247.32 198.70 169.42 149.91

160.59 197.70 145.98 154.73 175.67 144.12 211.19

178.01

133.85

265.82 147.57 175.87 131.87 446.22 190.51 76.30 152.47 501.18 2538.89 202.68 72.88 194.95 350.98 238.70 148.64 213.22 162.02

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